

Fiscal Facts 2003



IOWA
Legislative Services Agency
Fiscal Services Division
August 2003

To: Members of the Iowa General Assembly

From: Holly M. Lyons, Division Director
Fiscal Services Division

Re: Fiscal Facts

Date: August 2003

Fiscal Facts contains data relating to overall revenues and expenditures of State government, as well as detail regarding the most pertinent and discussed topic areas. Additional detailed data and information are available from the Fiscal Services Division of the Legislative Services Agency.

The FY 2003 data are estimates since the document is being issued prior to the close of FY 2003. **The data provided for FY 2004 represents action taken by the 2003 General Assembly, the First Extraordinary Session, and does not reflect all veto action by the Governor.**

Salary adjustment funds totaling \$30.0 million were appropriated to the Department of Management (DOM). In addition, Executive Branch General Fund appropriations were reduced by \$116.3 million to reflect savings due the "Reinvent Iowa" initiative. The estimated appropriations for individual line items do not include the allocation from the salary adjustment funds.

If you would like further information regarding any of the data provided within Fiscal Facts or have any comments and suggestions regarding this document, please do not hesitate to contact me.

Iowa Legislative Services Agency

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2003 LEGISLATIVE SESSION OVERVIEW

**STATE OF IOWA
GENERAL FUND BALANCE
(\$ in millions)**

	<u>FY 2003 Estimated</u>	<u>FY 2004 Legislative Action*</u>
<i>Estimated Funds:</i>		
Estimated Receipts		
Rev. Est. Conference	\$ 5,034.1	\$ 5,118.7
Transfers & Adjustments	<u>129.6</u>	<u>128.3</u>
Total Receipts	5,163.7	5,247.0
Tax Refunds	- 649.4	- 650.0
Accruals	<u>6.0</u>	<u>12.0</u>
<i>Total Funds</i>	<u>4,520.3</u>	<u>4,609.0</u>
<i>Est. Appropriations:</i>		
General Fund	\$ 4,530.8	\$ 4,558.7
Reversions	<u>- 12.5</u>	<u>- 12.5</u>
<i>Net Appropriations</i>	<u>4,518.3</u>	<u>4,546.2</u>
<i>Ending Balance prior to Cash Reserve</i>	<u>\$ 2.0</u>	<u>\$ 62.8</u>

*Prior to action by the Governor.

THE YEAR IN REVIEW

FY 2003

Like most states, Iowa continued to experience reduced revenues and a sluggish economy in FY 2003. The buildup to the war with Iraq has dampened consumer and investor confidence, reflected in a projected growth rate in state receipts (before refunds and accruals) of 0.5% for FY 2003. For the third year in a row, Iowa has tapped the Reserve Funds to help balance the General Fund budget. One-time sources of funding amounting to more than \$300.0 million were also utilized to balance the FY 2003 budget.

The 2003 General Assembly passed General Fund supplemental appropriations totaling \$61.0 million for the following purposes:

- \$6.6 million to the Department of Corrections to avoid staff furloughs and for support budget increases at Anamosa State Penitentiary and the Iowa State Penitentiary.
- \$8.9 million to the Department of Human Services for Child and Family Services and for the Mount Pleasant Mental Health Institute and the Glenwood and Woodward Resource Centers and \$41.5 million to the Department for Medicaid costs. (\$16.5 million was appropriated from other funds for the same purpose.)
- \$1.7 million to the Department of Public Safety to avoid furloughs.
- \$2.3 million to the State Public Defender for increased indigent defense costs due to the increasing number of claims and costs.

The current projected General Fund ending balance for FY 2003 is \$2.0 million.

FY 2004

Revenue growth projections continue to be flat for FY 2004, with the Revenue Estimating Conference estimating growth in total receipts (before refunds and accruals) to be 1.7% for FY 2004. Iowa is not alone in facing difficult budget times. According to the National

THE YEAR IN REVIEW (Contd.)**FY 2004 (Contd.)**

Conference of State Legislatures (NCSL), FY 2004 is proving to be another extremely difficult budget year with 39 states facing budget shortfalls at some time during the year and looking to eliminate the budget gaps through selective spending reductions, across-the-board reductions, and revenue increases, specifically on cigarette and tobacco taxes. As of April 2003, several states were also examining higher personal income taxes or considering proposals to increase the sales tax rates or expand the base.

The Iowa General Assembly appropriated \$4.56 billion from the General Fund for FY 2004 and shifted \$258.8 million in expenditures from the General Fund to other sources, and transferred \$78.9 million in other fund revenue to the General Fund.

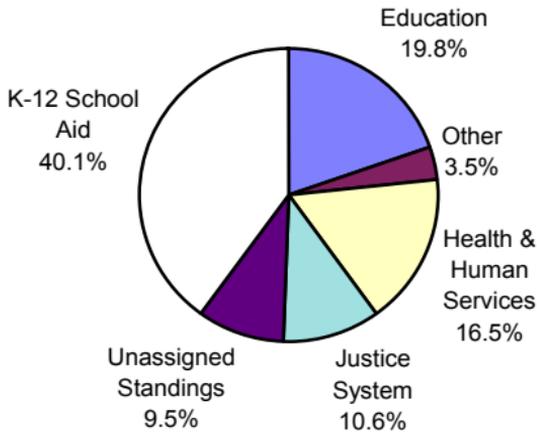
FY 2004 General Fund budgets were reduced by \$116.3 million to account for projected savings from the Reinvention of Government. The Governor proposed a Reinvention Plan which included retaining a consulting firm, Public Strategies Group (PSG), to reinvent the delivery of public services in Iowa. Budget reductions were made to local governments, state agencies, universities, area education agencies, and the child welfare system. PSG will be paid a percentage of the net savings generated from the proposals, up to a maximum of \$6.4 million.

The projected General Fund ending balance for FY 2004 is \$62.8 million.

The Governor called the Legislature into a Special Session in late May to approve the creation of a fund promoting biotechnology and other economic development initiatives.

Also considered was overhauling Iowa's property tax system, easing government regulations, and reducing and simplifying personal income taxes.

**DISTRIBUTION OF ESTIMATED FY 2004
STATE GENERAL FUND APPROPRIATIONS
(\$ in millions)**



<u>Subcommittee</u>	<u>Est. FY 2004 Appropriations</u>	<u>Percent of Total</u>
Admin. & Regulation	\$ 107.6	2.3%
Ag. & Natural Resources	32.5	0.7%
Economic Development	22.4	0.5%
Education	901.5	19.8%
Health & Human Services	755.0	16.5%
Justice System	484.5	10.6%
Trans. & Infrastructure	0.0	0.0%
Unassigned Standings	431.4	9.5%
K-12 School Aid	1,827.6	40.1%
Total	\$ 4,562.5	100.0%

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, Economic Development, and Transportation and Infrastructure.

MAJOR IOWA TAX CHANGES**Funding Exemption**

House File 654 provides a sales and use tax exemption for foundry purchases of core making, mold making, and sand handling equipment. The exemption has a retroactive provision with limited retroactive refunds. The future and retroactive provisions are projected to reduce net General Fund revenues by \$253,000 per year for five years and by \$135,000 each year after.

Capital Investment

House File 677 provides incentive benefits for smaller employers making \$1.0 million or more in capital investments. The incentive benefits are projected to reduce net General Fund receipts by \$2.7 million in FY 2005. The fiscal impact is projected to increase each year until the maximum reduction of \$7.6 million occurs in FY 2008.

Streamlined Sales Tax

House File 683 brings Iowa into compliance with model Streamlined Sales Tax legislation. The Department of Revenue projects that if sufficient states adopt the model legislation, Iowa will begin receiving additional sales and use tax revenues starting in FY 2004. The new revenues are projected to reach \$71.8 million by FY 2007.

Income Tax Rate Reductions

House File 692 reduces Iowa's income tax rates incrementally over four years, starting in tax year 2004. By tax year 2007, each of Iowa's current nine rate brackets will be reduced by 14.1%. If Iowa voters adopt a constitutional amendment making tax increases more difficult, three brackets would replace the nine-bracket system, and the deduction for federal taxes paid would be eliminated. The changes would reduce tax revenues by \$311.0 to \$323.0 million by FY 2007.

DEPARTMENT OF ADMINISTRATIVE SERVICES ESTABLISHED

The General Assembly passed HF 534 (FY 2004 Department of Administrative Services Act) which reorganizes a number of administrative departments and agencies into a single new administrative agency, the Department of Administrative Services. The Department will include the following:

- Information Technology Department
- Department of General Services
- Department of Personnel
- Accounting functions of the Department of Revenue and Finance

The initial goal of the reorganization is to merge core services currently provided to all State agencies into one entity. The resulting Department will include human resources, training, purchasing, accounting, facilities, maintenance, vehicle fleet, mail, printing, and information technology.

Funding for the Department is provided in HF 655 (FY 2004 Administration and Regulation Appropriations Act).

<u>Department Name</u>	<u>Est. Net FY 2003</u>	<u>Final Action FY 2004</u>	<u>FY 2004 vs. FY 2003</u>
Information Technology Department	\$ 2,909,748	\$ 2,967,323	\$ 57,575
Department of General Services	8,036,419	8,313,026	276,607
Department of Personnel	3,632,730	3,757,125	124,395
Accounting - Dept. of Revenue & Finance	1,694,097	1,717,601	23,504
Total	<u>\$ 16,272,994</u>	<u>\$ 16,755,075</u>	<u>\$ 482,081</u>
<u>Standing Appropriations</u>			
Federal Cash Management	\$ 568,458	\$ 550,000	\$ - 18,458
State Unemployment	353,000	450,000	97,000
Deferred Compensation Upgrade	49,671	56,501	6,830
Total	<u>\$ 971,129</u>	<u>\$ 1,056,501</u>	<u>\$ 85,372</u>
Department Total	<u>\$ 17,244,123</u>	<u>\$ 17,811,576</u>	<u>\$ 567,453</u>
Department Total FTE Positions	458.8	445.0	- 13.8

JUDICIAL BRANCH UPDATE

The following legislation was passed by the General Assembly in the 2003 Session. House File 694 (FY 2004 Courts Policies and Procedures Act) changed policies and procedures in the Judicial Branch by doing the following:

- Establishes a judicial district and judicial election district redistricting process.
- Makes changes to the nomination, appointment, and retention of judges.
- Expands magistrate courts.
- Eliminates the position of Alternate District Associate Judge.
- Permits district judgeships to be apportioned or transferred to another judicial district.
- Requires the county sheriff to serve a summons in certain delinquency proceedings.
- Eliminates the participation of the Foster Care Review Board in voluntary foster care placements.
- Waives the filing fee and court costs for certain contempt action.
- Changes the duties of and the procedures related to the clerk of the district court.
- Provides that judgment interest is calculated upon the one-year treasury constant maturity interest rate plus 2.0%.
- Expands the access of the deferred judgment docket.
- Prohibits regional litigation centers.
- Modifies the probate court schedule.

Fiscal Impact

The majority of this Act has minimal fiscal impact. However, Section 47 of the Bill establishes two levels of filing fees for simple misdemeanors: \$8 for parking and \$17 for all other simple misdemeanors. The estimated impact to the General Fund would be an increase in revenue of approximately \$500,000 annually.

JUDICIAL BRANCH UPDATE (Contd.)**Interim Study**

The Act establishes a Judicial District Redistricting Interim Study Committee. If a new plan is proposed for consideration, it will be submitted to the General Assembly by December 15, 2003, or if redistricting is determined not to occur, a plan needs to be submitted to the General Assembly on the allocation of Judicial Branch resources by December 15. The Committee will consist of 31 members.

SENTENCING REFORM

The General Assembly passed SF 422 that reduces the sentencing disparity in penalties between powder and crack cocaine, repeals the determinate sentencing option for certain Class D felonies, and provides for reopening an 85.0% sentence.

The Act enhances the penalties for powder cocaine and reduces the penalty at the higher end of the graduated penalties for crack cocaine. There will be increased costs for the Indigent Defense Program due to the enhanced penalties for powder cocaine. No cost savings will accrue to the Indigent Defense Program due to the reduction of penalties for crack cocaine because the reduction is not enough to result in a significant impact.

Approximately 25.0% of the Class C felony cases would be eligible for sentence reopening after serving a minimum of at least seven years, or 70.0% of the sentence, in prison. Sentence reopening provisions will not impact Class B felony 85.0% sentences until at least 70.0% of the sentence is served, or at mid-year FY 2014 at the earliest.

The county attorney has the option of reopening sentences on a retroactive basis. The Board of Parole makes the determination on 85.0% sentences for those offenders sentenced after July 1, 2003.

Correctional Impact

The table below illustrates the maximum cumulative impact on the prison population. The provisions in SF 422 that relate to powder cocaine increase the prison incarceration rate for these offenses.

	<u>FY 2004</u>	<u>FY 2005</u>	<u>FY 2006</u>	<u>FY 2007</u>	<u>FY 2008</u>
Powder/Crack	5	15	25	31	31
Repeal Determinate D	0	0	- 22	- 22	- 22
Sentence Reopenings	- 5	- 21	- 21	- 21	- 29
Total	<u>0</u>	<u>- 6</u>	<u>- 18</u>	<u>- 12</u>	<u>- 20</u>

SENTENCING REFORM (Contd.)

The table above shows the maximum number that may be released under the sentence reopening provisions. No attempt was made to estimate how many judges would reject reconsideration of sentences. The possibility exists that no offenders may be released under the sentencing reopening provisions of SF 422.

Fiscal Impact

The estimated net fiscal impact of SF 422 to the State General Fund is an increase in expenditures of approximately \$35,000 during FY 2004, and an increase in expenditures of \$115,000 in FY 2005.

	<u>FY 2004</u>	<u>FY 2005</u>
Reopenings:		
Attorney General's Office	\$ 4,000	\$ 15,000
Judicial Branch	1,000	3,000
State Public Defender's Office	1,500	6,000
CBC Supervision	<u>9,000</u>	<u>52,000</u>
Subtotal	\$ 15,500	\$ 76,000
Powder Cocaine:		
State Public Defender's Office	<u>\$ 19,500</u>	<u>\$ 39,000</u>
Total	<u>\$ 35,000</u>	<u>\$ 115,000</u>

GROW IOWA VALUES PROGRAM

The General Assembly passed HF 683 (FY 2004 Grow Iowa Values Fund Act) and HF 692 (FY 2004 Taxation Changes, the Grow Iowa Values Program, and Regulatory Reform Act). House File 692 establishes programs, boards, and commissions under the Grow Iowa Values Program, and House File 683 provides funding for and appropriations from the Grow Iowa Values Fund.

House File 683 provides an estimated \$503.0 million to the Grow Iowa Values Fund over a seven-year period, beginning in FY 2004 from revenues generated by the streamlined sales and use tax agreement and federal funds.

The Act appropriates a total of \$100.0 million (\$59.0 million in FY 2004 and \$41.0 million in FY 2005) to the Grow Iowa Values Fund from federal funds that will be received through the federal Jobs and Growth Tax Relief Reconciliation Act of 2003.

The Act directs an estimated \$403.0 million be deposited into the Fund from revenues that will be generated from the State entering into the streamlined sales and use tax agreement.

The Act appropriates a total of \$277.5 million from the Grow Iowa Values Fund over a four-year period (FY 2004 – FY 2007) to be used for a wide range of economic development initiatives. The appropriations and initiatives include:

- \$178.0 million for economic development programs administered by the Department of Economic Development.
- \$27.0 million for financial assistance to Regents universities and accredited private institutions for a variety of initiatives associated with biotechnology and value-added agricultural purposes.
- \$20.0 million for economic development marketing efforts.
- \$22.5 million for a Loan and Credit Guarantee Fund.
- \$25.0 million for a Workforce Training and Economic Development Fund created for community colleges. The Act allocates \$1.0 million per year for three years (FY 2004 – FY 2006) for a Job Retention Program through community colleges.

GROW IOWA VALUES PROGRAM (Contd.)

House File 692 establishes the Grow Iowa Values Program through the following provisions:

- Creates the Grow Iowa Values Board within the Department of Economic Development, specifying the membership and duties of the Board members.
- Establishes a Due Diligence Committee within the Department of Economic Development to oversee expenditure of the Grow Iowa Values Fund and to provide recommendations to the Grow Iowa Values Board.
- Creates a Grow Iowa Values Review Commission within the Office of the Auditor to provide program evaluation of specified goals and objectives.
- Creates a Grow Iowa Values Fund to be administered by the Grow Iowa Values Board.
- Establishes an Economic Development Marketing Board within the Department of Economic Development to administer and implement the approval process for marketing strategies.
- Amends the Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP) requiring the Department of Economic Development to give preference to producer-owned, value-added businesses and public and private joint ventures involving an institution of higher learning under the Board of Regents, or a private college or university acquiring assets, research facilities, and leveraging moneys in a manner that meets the goals of the Grow Iowa Values Fund.
- Allows the Department to reserve up to 50.0% of the Value-Added Agricultural Products and Processes Financial Assistance Program (VAAPFAP) funds for persons requiring up to \$500,000 in financial assistance.
- Creates the Endow Iowa Program Act and requires the Department of Economic Development to identify a lead philanthropic entity to encourage the development of qualified community foundations in the State. Allows the Board of the lead philanthropic entity to award Endow Iowa Grants to qualified community foundations and affiliate organizations, provided certain specified criteria is met.

REINVENTION OF GOVERNMENT

The Governor contracted with the Public Strategies Group to develop financial savings for State Government. Together in HF 655 (FY 2004 Administration and Regulation Appropriations Act) and SF 453 (Reinvention of Government Act) there is \$6.4 million appropriated from the General Fund for the costs related to the consultant.

Senate File 453 provides an estimated net savings of \$117.0 million for the General Fund for changes to appropriations, State government expenditures, remission of funds to the State, and local government actions. The Act also appropriates \$14.0 million from the Hospital Trust Fund for Medical Assistance (Medicaid) for FY 2004. Senate File 458 (FY 2004 Standings, Salaries, and Statutory Changes Act) amends SF 453. House File 683 (Economic and Tax Matters Act) adopted in the First Extraordinary Session also amended SF 453. Considering the Acts together, the significant fiscal changes are as follows:

Property Tax Issues

- Eliminates State payments to local government for personal property tax and franchise tax replacement.
- Moves the termination of the State payment of industrial machinery, equipment, and computer tax replacement claims from June 30, 2006, to June 30, 2004, and appropriates \$11.3 million for FY 2004.
- Prohibits revaluation of industrial machinery, equipment, and computers to recover a shortfall in funding for FY 2004 replacement claims.
- Provides \$8.8 million of Franchise Tax Revenues to cities and counties in FY 2004.
- Total savings from issues related to property tax are estimated to be \$70.0 million.
- Appropriates \$1.0 million for the Local Government Innovation Fund.

Transaction Fee

- Requires a \$5.00 electronic transaction fee for each document for transactions undertaken by a county recorder for an instrument filed or recorded for FY 2004. Of that amount, \$4.00 remains with the county recorder and \$1.00 is transferred to the Local Electronic Government Transaction Fund for

REINVENTION OF GOVERNMENT (Contd.)

electronic access to local government records and information. Beginning in FY 2005, the fee is \$1.00 and will be retained by county recorders.

- The fee is expected to generate an additional \$3.5 million in FY 2004 for local government revenues and \$1.0 million for the Local Electronic Government Transaction Fund.

Department of Administrative Services: The Department is required to transfer \$900,000 from the Department's Rent Fund to the State General Fund.

Board of Regents: Reduces the FY 2004 General Fund appropriations to the Regents universities by a total of \$17.9 million.

Charter Agencies

- Provides for charter agencies to be designated to operate under a performance agreement in exchange for a budget reduction in FY 2004.
- Grants exemptions from various administrative rules for charter agencies.
- Requires charter agencies to issue a report by December 31, 2003, to the General Assembly regarding the agency's activities.
- Specifies that the intended savings from charter agencies for FY 2004 is \$15.0 million, with other reinvention savings included within that target.
- Creates a \$3.0 million Charter Agency Grant Fund for FY 2004.

Area Education Agencies

- Creates a task force to study service delivery by the Area Education Agencies (AEAs). The report is due to the General Assembly by December 15, 2003.
- Requires the AEAs to remit \$10.0 million to the State from various Fund balances.
- Reduces funds to AEAs by \$10.0 million for FY 2004.

Child Welfare System Redesign

- Requires the Department of Human Services (DHS) to implement a redesign system for child welfare services.

REINVENTION OF GOVERNMENT (Contd.)

- Reduces the General Fund appropriations to the DHS by \$10.0 million for FY 2004.
- Appropriates \$1.2 million from the General Fund to the DHS for development of a statewide information system to implement the redesign changes.
- Establishes a Provider Loan Fund and deposits \$1.0 million into the Fund from the General Fund to assist child welfare providers with short-term cash flow deficiencies.

Department of Human Services Reinvention

- Requires the DHS to implement an electronic billing and payment system for child care and Medical Assistance (Medicaid) Program providers by January 1, 2005, and reduces the appropriation for FY 2004 to the DHS by \$300,000 to reflect the savings from this system.
- Removes the requirement that excess funds in the Hospital Trust Fund transfer to the Senior Living Trust Fund at the end of FY 2003.
- Reduces the General Fund DHS Medicaid appropriation for FY 2004 by \$7.5 million. Increases the appropriation from the Hospital Trust Fund for FY 2004 by \$14.0 million and appropriates the funds to Medicaid.
- Provides funding of \$3.5 million from the School Aid Formula to children residing at the three DHS juvenile institutions and reduces the General Fund appropriations to the institutions by \$2.2 million to reflect the additional revenue.

Reinvention Investment: Appropriates \$1.4 million from the General Fund for the cost of reinvention initiatives (consultant). This is in addition to the \$5.0 million appropriated for FY 2004 in HF 655 (FY 2004 Administration and Regulation Appropriations Act).

Iowa Lottery Authority

- Establishes the Iowa Lottery Division within the Department of Revenue and Finance as a separate Authority.
- Specifies that the Iowa Lottery Authority will have an independent budget beginning in FY 2005.
- Requires transfers of \$54.8 million from lottery proceeds to the State General Fund for FY 2004.

SUMMARY OF GAMING TAX ISSUE

On June 12, 2002, the Iowa Supreme Court ruled that racetracks should not be taxed at a different rate than riverboats. The Iowa Supreme Court held that it was unconstitutional under the Equal Protection Clause of the Iowa Constitution to tax riverboats and racetracks at a different rate. The State appealed the Iowa Supreme Court's ruling to the U.S. Supreme Court, which issued its ruling on June 9, 2003.

The U.S. Supreme Court reversed the Iowa Supreme Court's ruling and remanded the case back to the Iowa Supreme Court. The Iowa Supreme Court has the authority to uphold its ruling as it applies to the Iowa Constitution. It is not known when the Iowa Supreme Court will issue its ruling.

The State had been taxing racetracks at 32.0% in calendar year 2002 and riverboats at 20.0%. The Iowa Supreme Court ruling on June 12, 2002, lowered the tax rate on Iowa's racetracks from 32.0% to 20.0%, the rate that riverboats are taxed. The tax rate for racetracks was scheduled to increase to 34.0% on January 1, 2003, and to 36.0% on January 1, 2004. The ruling also required the State to reimburse the racetracks an estimated \$112.0 million for the years in which the racetracks were taxed above the 20.0% rate.

If the Iowa Supreme Court ruling is consistent with the U.S. Supreme Court, the racetracks will be required to reimburse the State approximately \$40.0 million for back taxes from June 12, 2002. State wagering tax revenues will also increase by approximately \$46.0 million in FY 2004 due to the higher tax rate. In addition, the State will not be required to pay the racetracks an estimated \$112.0 million in back taxes.

OPERATING WHILE INTOXICATED (OWI) STATUTE CHANGES

During the 2003 Legislative Session, the General Assembly enacted a .08% blood-alcohol content illegal per se law. House File 65 (FY 2004 Operating While Intoxicated Blood-Alcohol Content Act) lowers the limit for blood-alcohol concentration while driving a motor vehicle from .10% to .08%.

Federal Funds Impact

Due to passage of HF 65, the State will receive one-time incentive funds provided under TEA-21. Depending on the number of states with a .08% per se law at the time Iowa's law is enacted, Iowa will receive between an estimated \$1.4 million to \$2.1 million in FFY 2004. As of January 2003, 34 states have adopted .08% per se laws. Fifteen states are not in compliance. The incentive funds can be used for any projects eligible for assistance under 23 U.S. C., which include highway construction and traffic safety projects. Of the incentive funds received by the State, and of the amount obligated by the Department of Public Safety (DPS), at least 40.0% must benefit local programs. The Iowa State Patrol's FY 2004 budget assumes it will receive \$1.2 million from incentive funds.

State Government Impact

Expenditures

House File 65 will result in an estimated increase in expenditures of \$371,000 in FY 2004 and \$796,000 in FY 2005 to the General Fund. A detailed breakdown of expenditures is as follows:

	FY 2004	FY 2005
Dept. of Corrections - Prisons	\$ 9,000	\$ 22,000
CBC (treatment)	62,000	148,000
County Confinement	Minimal	Minimal
Probation and Parole	61,000	147,000
Courts	32,000	64,000
Indigent Defense	118,000	239,000
Substance Abuse Treatment	89,000	176,000
DPS - Iowa State Patrol	Minimal	Minimal
Total	\$ 371,000	\$ 796,000

OPERATING WHILE INTOXICATED (OWI) STATUTE CHANGES (Contd.)

Additional FTEs will be needed for probation and parole statewide: 1.16 FTE positions in FY 2004 and 2.8 FTE positions in FY 2005. The First, Third, Fifth, and Sixth CBC District Departments will experience the most increase in demand for additional staff.

Revenues

Total revenues for mandatory criminal and civil fines and surcharge fees are estimated to increase by \$114,000 to the General Fund and \$35,000 to the Victim Compensation Fund in FY 2004; and \$273,000 to the General Fund and \$72,000 to the Victim Compensation Fund in FY 2005.

Local Government Impact

Expenditures

Local governments will experience increased costs for operating jails under HF 65. Total increased statewide costs for local jails are estimated to be \$66,000 to \$110,000 more annually than current law.

The increase in the number of arrests is not anticipated to have significant fiscal impact on local law enforcement. Resources for enforcement may be diverted from other duties.

Revenues

Total revenues to the counties' General Funds are expected to be minimal.

**MEDICAL ASSISTANCE COST
CONTAINMENT ACT**

During the 2003 Legislative Session, the General Assembly passed HF 619, which makes programmatic and reimbursement changes estimated to save \$46.4 million in the Medical Assistance (Medicaid) Program. The provisions for which a fiscal impact can be determined include:

- Implementation of a Preferred Drug List based on the State of Michigan's Program is projected to save \$7.0 million in General Fund money.
- Decreasing the dispensing fee paid to pharmacists from \$5.17 to \$4.26 is projected to save \$2.2 million in General Fund money.
- Increasing the co-payments on prescription drugs and physician visits is projected to save \$854,000 in General Fund money.
- Decreasing the drug ingredient reimbursement to pharmacies to the Average Wholesale Price (AWP) minus 20.0% is projected to save \$2.0 million in General Fund money.
- Expansion of the State Maximum Allowable Cost Program is projected to save \$1.9 million in General Fund money.
- The Act assumes savings from rule changes and current statute related to nursing home reimbursement totaling \$7.8 million. The Act allows the Department of Human Services (DHS) to adjust an inflation factor in the nursing facility rate calculation that is projected to save up to \$3.0 million. These savings combined offset a budgeted increase of \$10.7 million in nursing facility reimbursement rates.
- Conducting targeted audits and reviewing utilization is projected to save \$2.0 million in General Fund money.
- The Act increases reimbursement to the University of Iowa Hospital and Broadlawns Hospital for physician services. This results in a net increase in federal revenues of \$13.5 million.

NON CARETAKER CHILD ABUSE REPORTING BILL

During the 2003 Legislative Session, the General Assembly approved HF 206 (FY 2004 Non Caretaker Child Abuse Reporting Act). Significant provisions of the Act include:

- Increases the child age from under age 12 to under age 16 for suspected abuse that is perpetrated by a person other than the individual responsible for the care of the child.
- Requires mandatory reporters to report suspected abuse of a child that is under age 16 by a person that is not a caretaker and permits reporting of abuse for older children.
- Requires members of the clergy to be mandatory reporters of child abuse under certain circumstances. In addition, the Bill provides an exception to the requirement of completing two hours of training every five years relating to the identification and reporting of child abuse for clergy members.

In FY 2004, HF 206 is expected to result in an estimated 120 additional convictions for sexual abuse and 238 in FY 2005. The prison population will increase by 105 inmates in FY 2004 and 313 in FY 2005. By the fifth year, the prison population will increase by 836 inmates and may require a new prison be built at an estimated construction cost of \$45.0 million and an estimated annual operating cost of \$28.0 million.

The Act is estimated to increase State General Fund expenditures for FY 2004 from \$668,000 to \$808,000, and from \$1.8 million to \$2.1 million in FY 2005.

House File 206 is also expected to have an impact to local government, especially for law enforcement agencies and jails due to pre-trial detentions. However, due to insufficient information, the fiscal impact to local governments cannot be determined.

The Governor vetoed HF 206 on May 30, 2003.

ASSISTED LIVING PROGRAM REGULATION ACT

During the 2003 Legislative Session, the General Assembly approved HF 675 (FY 2004 Assisted Living Program Regulation Act) that provides for changes to the Code of Iowa relating to the oversight of elder group homes and assisted living programs. Significant provisions include:

- Specifies it is the intent of the General Assembly that the Department of Elder Affairs establish policy for assisted living programs and that the Department of Inspections and Appeals enforce regulations.
- Requires the Department of Elder Affairs to establish a system for the certification and monitoring of assisted living programs.
- Permits services to be provided by individuals employed by the tenant, if the tenant agrees to assume responsibility for risk associated with the contractual relationship.
- Permits assisted living programs to enter into written agreements with Medicare-certified hospice programs for tenants who are terminally ill who elect to receive hospice services under the federal Medicare Program.
- Prohibits an assisted living program from operating unless a written occupancy agreement is executed between the program and each tenant or tenant's representative.
- Permits the Department of Elder Affairs to establish civil penalties for noncompliance with regulatory requirements that present an imminent danger, substantial probability of death, or physical harm to a tenant.
- Prohibits a certified assisted living program from having to be licensed as a health care facility unless the program is represented to the public in such a manner.
- Establishes monetary amounts to be assessed for assisted living certification and related fees and requires the Department of Inspections and Appeals to collect and deposit these fees into the General Fund. It is estimated that \$75,000 in fees will be collected and deposited into the General Fund in FY 2004.

**ASSISTED LIVING PROGRAM
REGULATION BILL (Contd.)**

- Requires that a continuing care retirement community that is in compliance with Chapter 523D, Code of Iowa, not be held in violation of Chapter 231C, Code of Iowa, if the continuing care retirement community provides services to independent living residents.

House File 667 (FY 2004 Health and Human Services Act) appropriates \$800,000 from the Senior Living Trust Fund to the Department of Inspections and Appeals for regulatory activities associated with assisted living and adult day services programs. In addition, it is estimated that up to \$120,000 in fees will carryover into FY 2004.

**ADULT DAY SERVICES
REGULATION ACT**

During the 2003 Legislative Session, the General Assembly approved HF 672 (FY 2004 Adult Day Services Regulation Act). Significant provisions include:

- Provides for the regulation of adult day services programs.
- Requires the Department of Elder Affairs to establish a system for certification, monitoring, and complaint investigation for adult day services programs by Administrative Rule in consultation with the Department of Inspections and Appeals and affected industry, professional, and consumer groups.
- Establishes monetary amounts for certification and related fees, requires the Department of Inspections and Appeals to collect the fees and deposit fees into the General Fund.
- Permits the Department of Inspections and Appeals to assess and collect a monetary penalty from a program that discriminates or retaliates against a client or to revoke the program's certification. Funds collected from penalties are to be deposited into the General Fund. It is estimated that less than \$100,000 in fees will be collected and deposited into the General Fund in FY 2004.
- Requires the Department of Inspections and Appeals, in consultation with the Departments of Elder Affairs and Public Safety, to submit a report to the General Assembly and the Joint Health and Human Services Appropriations Subcommittee regarding the implementation of the oversight system by December 31, 2004.

House File 667 (FY 2004 Health and Human Services Act) appropriates \$800,000 from the Senior Living Trust Fund to the Department of Inspections and Appeals for regulatory activities associated with assisted living and adult day services programs.

ELECTIONS AND VOTER REGISTRATION

The General Assembly passed House File 614 (FY 2004 Elections and Voter Registration Act). The Act amends the Code of Iowa to implement the federal Help America Vote Act provisions required of all states. This includes changes to the following areas:

- Implementing uniform and nondiscriminatory complaint procedures.
- Establishing a centralized computer system for voter registration.
- Establishing a State Planning and Implementation Committee.
- Providing voter registration by mail requirements and voter eligibility.
- Verifying voter registration information.
- Providing written instructions to voters and precinct election officials.
- Posting instructions and sample ballots at poll sights.
- Establishing procedures for challenged voters to cast provisional ballots.
- Purchasing voting machines by counties.
- Establishing duties of the election officers.
- Placing of voting machines at the polls.
- Establishing duties of the State Commissioner of Elections.
- Amending the Code of Iowa relating to absentee ballot voting.

Iowa could receive up to \$35.0 million in federal funding for implementing the required federal provisions of the Help America Vote Act. The first \$5.0 million will have no match requirement. The Governor must specify that the State will comply with the federal regulations. The remaining \$30.0 million will require a 5.0% match rate (\$1.5 million). The General Assembly did not appropriate State funds for this purpose. The State is required to meet the federal requirements whether federal funding is received or not.

VISION IOWA PROGRAM



The Vision Iowa Program was created by the 2000 General Assembly to assist communities in developing major attractions. The Program funds projects costing at least \$20.0 million and involve primarily vertical infrastructure. The funded projects are to have regional or statewide economic impact and the potential to attract out-of-state visitors. The maximum Vision Iowa funding for any one project is \$75.0 million. A minimum of 50.0% of the total project must be funded from local and other sources, excluding federal or other State moneys. A preference is given to projects with greater local funding.

The program receives \$15.0 million annually for 20 years from gambling receipts. Using this funding stream, the Treasurer of State issued bonds, which were sold on October 9 and 10, 2001. The proceeds from the bond sale, projected interest earned, and funds carried forward from previous fiscal years provided a total of \$220.3 million for Vision Iowa projects. To date, 11 awards have been issued. They are:

- Mid American Recreation and Convention Complex, Council Bluffs – \$24,000,000 grant plus \$7,000,000 loan. Repayments of this loan are used for the Capitol City Vision Project forgivable loan (Polk County).
- America's River at the Port of Dubuque – \$40,000,000 grant.
- River's Edge, Sioux City – \$21,000,000 grant.
- Capitol City Vision Project, Polk County – \$55,000,000 grant plus a \$15,000,000 forgivable loan.
- River Renaissance on the Mississippi, Davenport – \$20,000,000 grant.
- Bridge View Event Center, Ottumwa – \$7,500,000 grant.
- Things to Do With A River View, Clinton – \$3,300,000 grant.
- River Renaissance, Waterloo – \$9,500,000 grant.
- Des Moines Menace Stadium – \$2,500,000 grant.
- River Run, Cedar Rapids – \$10,500,000 grant.
- West Tarkio Reservoir/Lake Shenandoah and Clarinda – \$12,000,000 grant.

Approximately \$5.0 million remain available for awards.

TOBACCO SETTLEMENT

On November 20, 1998, forty-six states approved a settlement agreement with the four major tobacco industry manufacturers comprising 99.4% of the United States cigarette market. The manufacturers agreed to a settlement valued at \$206.4 billion to be paid over 25 years to settle tobacco-related lawsuits filed by the states.

Iowa will receive approximately 0.87% (\$1.8 billion) of the total funds allocated for distribution to the states. Annual unadjusted payments to Iowa will initially increase on a yearly basis, beginning with \$55.8 million in April 2000 and increasing to \$73.0 million in April 2003. Iowa will then receive \$60.9 million annually for the years 2004 through 2007, \$62.1 million annually for the years 2008 through 2017, and \$69.6 million annually for the years 2018 through 2025.

The 2001 General Assembly passed SF 532 that authorized securitization of the tobacco settlement payment. The Act authorized the sale of \$600.0 million tax-exempt and \$50.0 million taxable securities for 30 years. The net tax-exempt proceeds (\$540.0 million) were placed in the Tobacco Settlement Trust Fund Restricted Capital Funds Account. These funds are used for litigation payments, qualified capital projects, and certain debt service. The net taxable proceeds (\$39.6 million) were placed in the Endowment for Iowa's Health Account, to create an endowment for future appropriations for health-related programs. The 2001 General Assembly also created the Healthy Iowans Tobacco Trust, which provides a mechanism to appropriate funds from the Endowment for health-related programs.

The 2003 General Assembly passed several Acts which impacted the Endowment, Restricted Capital Fund, and the Healthy Iowans Tobacco Trust:

- Senate File 458 (FY 2004 Standings Appropriations Act) eliminated the FY 2004 General Fund appropriation of \$28.3 million to the Endowment. The Act also transferred \$20.0 million from the Endowment to the General Fund. It also commits future General Fund receipts, after the Economic Emergency Fund has been maximized, to reimburse the Endowment \$101.8 million for the following items:
 - \$20.0 million for the FY 2003 School Aid appropriation.

TOBACCO SETTLEMENT (Contd.)

- \$2.5 million for the FY 2002 Medicaid Supplemental appropriation.
- \$22.0 million transferred to the General Fund in FY 2002.
- \$9.0 million transferred from the Endowment to the General Fund in FY 2003.
- \$48.3 million impact of SF 458.

- House File 685 (FY 2004 Healthy Iowans Tobacco Trust Appropriations Act) transfers \$5.2 million from the Endowment to the Healthy Iowans Tobacco Trust.

- Senate File 375 (Tobacco Settlement Enforcement Act) provides a FY 2003 supplemental appropriation of \$646,000 to the Treasurer of State for payment of litigation fees incurred pursuant to the Master Settlement Agreement. The appropriation is made from the tax-exempt bond proceeds of the Restricted Capital Fund.

See pages 71 and 72 on Infrastructure Funding for information related to the Restricted Capital Fund.

TOBACCO SETTLEMENT (Contd.)

Endowment For Iowa's Health Account

	Estimated FY 2003	Estimated FY 2004
Resources		
Balance	\$ 22,524,980	\$ 13,274,927
Bond Proceeds	0	0
Transfers from General Fund	27,087,000	28,251,000
Deappropriation	- 27,087,000	- 28,251,000
Wagering Tax Allocation	75,000,000	70,000,000
22.0% of Master Settlement Agreement Payment	9,436,025	14,946,519
Tobacco Settlement Residuals	16,308,179	12,197,646
Interest Earned	674,515	483,479
Total	\$123,943,699	\$ 110,902,571
Appropriations		
Healthy Iowans Tobacco Trust	\$ 55,825,000	\$ 56,662,375
Healthy Iowans Tobacco Trust	9,000,000	5,206,960
Transfer to General Fund	9,000,000	20,000,000
Student Achievement/Teacher Quality Act	0	0
School Aid Appropriation	20,000,000	0
Tuition Replacement	16,843,772	0
Total	\$110,668,772	\$ 81,869,335
Ending Balance	\$ 13,274,927	\$ 29,033,236

Healthy Iowans Tobacco Trust Fund

	Estimated FY 2003	Estimated FY 2004
Resources		
Balance	\$ 1,720,038	\$ 1,505,298
Transfer from the Endowment	55,825,000	56,662,375
Endowment (Wagering Tax Allocation)	9,000,000	5,206,960
Interest Earned	160,000	100,000
Total	\$ 66,705,038	\$ 63,474,633
Appropriations		
Department	Intended Use	
Corrections	Day Programming, Drug Courts, Sub.	
	Abuse Treatment, Clinical Care Unit	
	\$ 1,710,000	\$ 2,020,000
Public Health	Tobacco Use Prevention/Control, Sub.	
	Abuse, & Healthy Iowans 2010	
	17,465,064	19,621,960
Education	Iowa Empowerment Fund	
	1,153,250	2,153,250
Human Serv.	Medicaid Elig. for Special Needs Children	
	1,975,496	1,975,496
	Medicaid Provider Reimbursements	
	22,845,930	22,845,930
	Supplement Medicaid Appropriation from General Fund	
	17,500,000	14,346,750
	Supplement Children's Health Insurance Program (CHIP) Funding	
	200,000	200,000
	Breast/Cervical Cancer Treatment	
	250,000	250,000
	HIPPA Implementation	
	2,100,000	0
Total Appropriations	\$ 65,199,740	\$ 63,413,386
Ending Balance	\$ 1,505,298	\$ 61,247

SENIOR LIVING TRUST FUND

House File 667 (FY 2004 Health and Human Services Appropriations Act) appropriates \$161.6 million and 11.0 FTE positions from the Senior Living Trust Fund to the Department of Human Services (DHS), the Department of Elder Affairs, and the Department of Inspections and Appeals.

For FY 2004, the Act appropriates as follows:

- \$101.6 million to the DHS to supplement the Medical Assistance (Medicaid) Program.
- \$30.0 million to the DHS for nursing facility provider reimbursements based on a case-mix reimbursement methodology.
- \$20.0 million to the DHS for nursing facility conversion grants.
- \$1.7 million and 5.0 FTE positions to the DHS to supplement the Medicaid appropriations for the Elderly Home and Community-Based Service Waiver and the State Supplementary Assistance Program.
- \$7.5 million to the Department of Elder Affairs for the Senior Living Program, which primarily provides funding for home and community-based services for seniors.
- \$800,000 and 6.0 FTE positions to the Department of Inspections and Appeals for the oversight of assisted living and adult day care programs.

The Senior Living Trust Fund was established by the 2000 General Assembly to receive deposits from intergovernmental transfers that resulted from the State's ability to draw down federal matching funds calculated as if all nursing facilities in the State are reimbursed at the federal Medicare rate. The federal Medicare rate is higher than the Iowa Medicaid rate.

Deposits into the Fund from intergovernmental transfers are projected to end after the first quarter of FY 2004. If future appropriations from the Fund remain at FY 2004 levels, it is estimated that the Fund will be depleted in FY 2006.

SENIOR LIVING TRUST FUND (Contd.)

Senate File 458 (FY 2004 Standings Appropriations Act) commits future General Fund ending balances, after the Economic Emergency Fund has been maximized and \$40.0 million has been reimbursed to the Endowment for Iowa's Health Account, to reimburse the Senior Living Trust Fund \$118.0 million.

Senior Living Trust Fund
(\$ in millions)

	<u>Estimated FY 2004</u>
Revenues	
Beginning Balance	\$ 336.8
Intergovt. Transfer	24.6
Interest	6.5
Total Revenues	<u>\$ 367.9</u>
Expenditures	
NF Conversion/LTC Service Grants	\$ 20.0
DHS Service Delivery	
Assisted Living Rent Subsidy	0.7
HCBS Elderly Waiver	0.7
NF Case Mix and Price Methodology	30.0
Medical Assist. Program (Medicaid)	101.6
DHS Administration and Contracts	0.3
DHS Total	<u>\$ 153.3</u>
DEA Service Delivery	
Senior Living Program	\$ 7.0
DEA and Contract Administration	0.5
DEA Total	<u>7.5</u>
DIA - Asst'd. Living & Adult Day Care	<u>\$ 0.8</u>
Total Expenditures	<u>\$ 161.6</u>
Ending Balance	<u><u>\$ 206.3</u></u>

NF = Nursing Facility

LTC = Long-Term Care

HCBS = Home and Community-Based Services

DEA = Department of Elder Affairs

DIA - Department of Inspections and Appeals

HOSPITAL TRUST FUND



House File 667 (FY 2004 Health and Human Services Appropriations Act) and HF 691 (Reinvention of Government Act) appropriate a total of \$29.0 million from the Hospital Trust Fund to the Department of Human Services (DHS) to supplement the Medical Assistance Program for FY 2004.

House File 763 (Hospital Trust Fund Act) created a Trust Fund similar to the Senior Living Trust Fund. The Fund was created during the Second Extraordinary Session of the 79th General Assembly on November 8, 2001. Following that, the DHS filed the request to the federal Centers for Medicare and Medicaid Services (CMS) to allow the State of Iowa to participate in the federal upper payment limit process for hospitals (which would generate the revenues to be deposited into the Hospital Trust Fund). The Act allowed the DHS to request and receive these enhanced federal funds.

Currently, Medicaid payments may not exceed 150.0% of a reasonable estimate of what Medicare would have paid for the same services. The State Medicaid Plan amendment, effective November 26, 2001, as approved by the CMS allows reimbursement based on Medicare rates, which are higher than Medicaid. Iowa is the 36th state to utilize this funding mechanism.

The General Assembly appropriated \$29.0 million from the Hospital Trust Fund in FY 2004.

ENVIRONMENT FIRST FUND



The Environment First Fund was created by the 2000 General Assembly to provide funding for the protection, conservation, enhancement, or improvement of natural resources or the environment.

The Environment First Fund receives an annual appropriation of \$35.0 million from the Rebuild Iowa Infrastructure Fund (RIIF). The General Assembly annually appropriates from the Environmental First Fund for specific environmental projects. For FY 2004, \$14.0 million is appropriated to the Department of Agriculture and Land Stewardship for soil and water conservation initiatives, \$500,000 to the Department of Economic Development for the Brownfield Redevelopment Program, and \$20.5 million to the Department of Natural Resources (DNR) for environmental programs. Included in the DNR funding is \$11.0 million for the Resource Enhancement and Protection (REAP) Fund.

The General Assembly passed SF 436 (FY 2004 Environment First Fund Appropriations Act), which provided a supplemental appropriation from the Cash Reserve Fund to the Environment First Fund for FY 2003. The funding was necessary due to a projected revenue shortfall in the RIIF resulting from the Iowa Supreme Court ruling on June 12, 2002, that reduced the State tax on gambling at the racetracks from 32.0% to 20.0%. Contracts to continue implementing environmental programs through the remainder of the fiscal year were in jeopardy due to lack of funds in the Environment First Fund and the RIIF.

OTHER ENVIRONMENTAL-RELATED APPROPRIATIONS

In addition to the appropriations from the Environment First Fund, the General Assembly also appropriated \$6.5 million from the Restricted Capital Fund for FY 2004 for environmental and recreational purposes. The appropriations include: \$3.0 million for the Destination State Park, \$2.5 million for the Restore the Outdoors Program, and \$1.0 million for Recreational Trails.

ENVIRONMENT FIRST FUND (Contd.)

Environment First Fund
(\$ in millions)

Resources	FY 2004
Rebuild Iowa Infrastructure Fund Approp.	<u>\$ 35.0</u>
Expenditures	
Department of Agriculture	
Conservation Reserve Enhancement Program (CREP)	\$ 1.5
Watershed Protection Program	2.7
Farm Demonstration Program	0.9
Soil Conservation Cost Share	5.5
Agricultural Drainage Wells	0.5
Conservation Reserve Program (CRP)	2.0
Loess Hills Conservation Authority	0.6
Southern Iowa Conservation and Development Authority	0.3
Total Department of Agriculture	<u>\$ 14.0</u>
Department of Natural Resources	
Geographic Information System Development	\$ 0.1
Volunteer Water Quality Initiatives	0.1
Water Quality Monitoring Stations	3.0
Water Quality Protection	0.5
Air Quality Monitoring Equipment	0.5
Lake Dredging	1.0
Marine Fuel Tax Capital Projects	2.3
Park Operations	2.0
REAP Formula Allocation	11.0
Total Department of Natural Resources	<u>\$ 20.5</u>
Department of Economic Development	
Brownfield Redevelopment Program	<u>\$ 0.5</u>
Total Expenditures	<u><u>\$ 35.0</u></u>

REAP = Resource Enhancement and Protection Fund

STUDENT ACHIEVEMENT AND TEACHER QUALITY ACT



During the 2003 Legislative Session, the General Assembly passed legislation pertaining to the continuation of the Student Achievement and Teacher Quality Program and provided \$44.3 million in funding for FY 2004 in

HF 662 (FY 2004 Education Appropriations Act). The allocation amounts are:

- Allocates \$700,000 to the Department of Education for National Board Certification awards.
- Allocates \$4.2 million to the Department of Education for the Beginning Teacher Mentoring and Induction Program. If sufficient funds are available, each district shall receive \$1,300 per beginning teacher, and \$500 per semester shall be awarded to the mentor.
- Allocates \$1.0 million to the Department of Education for the Evaluator Training Program.
- Allocates \$375,000 to the Department of Education for implementing the Career Development Program and for Department administrative costs. Requires \$75,000 of this amount be used to administer the Ambassador to Education (Teacher of the Year) Program.
- Allocates \$38.0 million to school districts (based 50.0% on enrollments and 50.0% on the number of FTE teachers) and area education agencies. The funds are to be used to enhance teacher salaries, subject to minimum salaries specified in SF 476 (FY 2002 Student Achievement and Teacher Quality Act) and to collective bargaining negotiations.

GOVERNMENT FINANCE AND TAXATION

MANAGING IOWA'S MONEY - CURRENT LAW



In recent years Iowa enacted legislation has implemented sound financial practices to achieve financial stability. Ongoing expenses have been brought into line with current revenues and the General Fund deficit, as calculated under Generally Accepted Accounting Principles (GAAP), has been eliminated. In the 1980s and early 1990s, Iowa experienced serious financial problems including tax revenues below expectations; expenditures above budget; and a lack of reserves. The Legislature established spending limits and reformed the budget process restoring fiscal integrity, improving cash flow, and creating balances in reserve funds.

The Governor and the General Assembly have statutory responsibility to balance the budget. In 1992, several statutory reforms were enacted to provide long-term solutions to the State's budget problems. These included the "Expenditure Limitation" laws.

- Spending is limited to 99.0% of adjusted revenues, 95.0% of any new revenue implemented in a fiscal year, and any carry-over from the previous year.
- The Governor and the Legislature are required to use the revenue estimates agreed to by the December Revenue Estimating Conference or a later estimate during the legislative session, if it is lower, as a basis to determine the General Fund Budget for the following fiscal year.
- Three reserve accounts or funds have been created: the Cash Reserve Fund; the GAAP Deficit Reduction Account; and the Economic Emergency Fund (Rainy Day Fund).
- Expenditures from these reserve funds are limited by statute.

**IOWA'S RESERVE FUNDS
(RAINY DAY FUNDS)****Cash Reserve Fund**

- The year-end General Fund Surplus (ending balance) is appropriated to the Cash Reserve Fund.
- The cash reserve goal is 7.5% of the General Fund revenues (statute amended from 5.0% in HF 2625 during the 2002 Session, but this language was notwithstanding for FY 2004 so the FY 2004 goal remains at 5.0%).
- Moneys in the Cash Reserve Fund may be used for cash flow purposes but shall be returned by the end of the fiscal year.
- Expenditures from the Cash Reserve Fund are limited to nonrecurring emergency expenditures.

**Generally Accepted Accounting Principles (GAAP)
Deficit Reduction Fund**

- Unexpended money from the General Fund, after the Cash Reserve Fund target is made, is also deposited to the GAAP Fund.
- Funds are appropriated for the purpose of eliminating the State's GAAP deficit. The GAAP deficit was eliminated during FY 1995.

The Economic Emergency Fund

- Established in 1984 and modified in recent years.
- The maximum balance of the Fund is 2.5% of the adjusted General Fund revenue estimate (statute amended from 5.0% in HF 2625 during the 2002 Session, but this language was notwithstanding for FY 2004 so the FY 2004 goal remains at 5.0%).
- Once all GAAP obligations are retired, remaining funds are credited to the Economic Emergency Fund.
- Moneys in the Economic Emergency Fund may be used for cash flow purposes but shall be returned by the end of the fiscal year.
- Spending from the Fund is limited to emergency expenditures.
- Legislation passed during the November 2001 Special Session limited such transfers to \$50.0 million. Allows for an appropriation from the Economic Emergency Fund to reduce a negative ending balance in the State General Fund. The

**IOWA'S RESERVE FUNDS
(RAINY DAY FUNDS) (Contd.)**

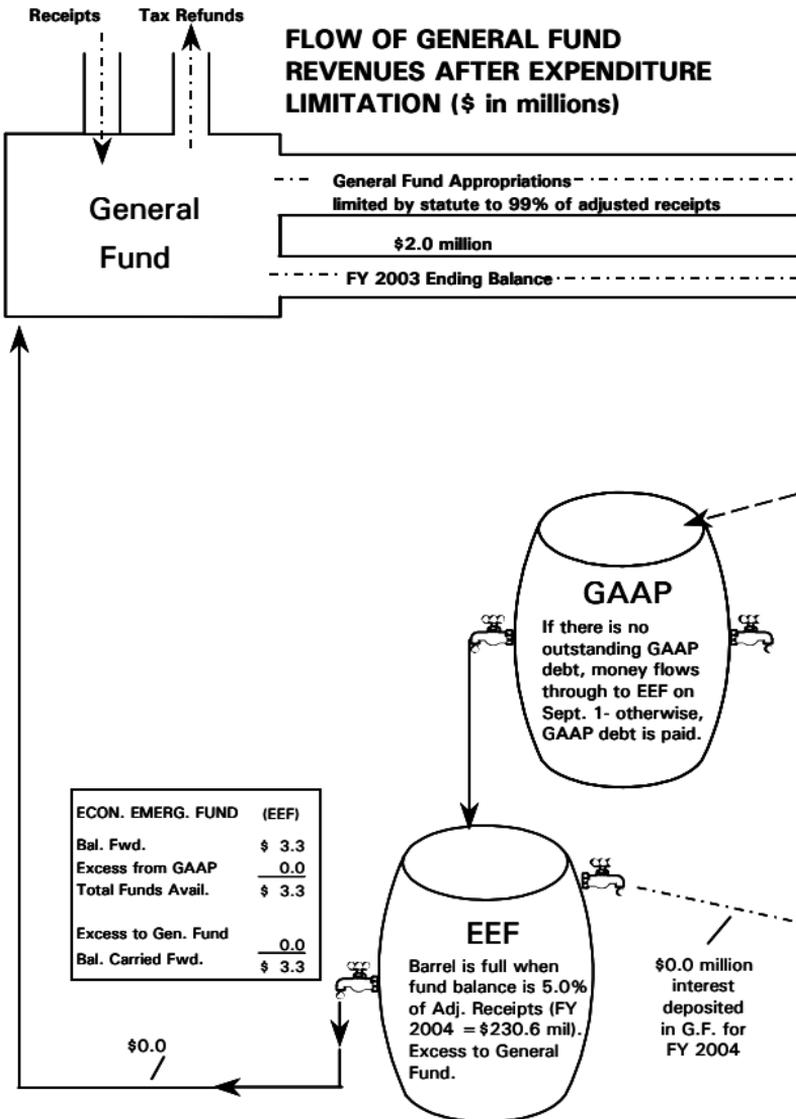
appropriation is limited to \$50.0 million and is contingent upon the certain circumstances. (In FY 2001, \$66.1 million was transferred from the Economic Emergency Fund to the General Fund to offset a General Fund deficit.)

**Reserve Fund Appropriations
(\$ in millions)**

Fund	Actual 2002	Est. 2003	Est. 2004
Cash Reserve	\$ 90.0	\$ 20.6	\$ 0.0
GAAP	0.0	0.0	0.0
Economic Emerg.	149.9	25.0	0.0

**Reserve Fund Balances
(\$ in millions)**

Fund	Actual 2002	Est. 2003	Est. 2004
Cash Reserve	\$ 140.1	\$ 205.4	\$ 207.4
GAAP	0.0	0.0	0.0
Economic Emerg.	25.2	3.3	3.3

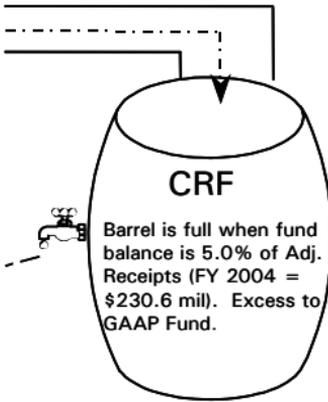




FY 2004

Gen. Fund Appropriations = \$4.550 billion

Est. Ending Balance = \$62.8 million



CASH RESERVE FUND (CRF)	
Bal. Fwd.	\$ 205.4
FY 2003 End Bal.	<u>2.0</u>
Total Funds Avail.	207.4
Excess to GAAP	<u>0.0</u>
Bal. Carried Fwd.	\$ 207.4

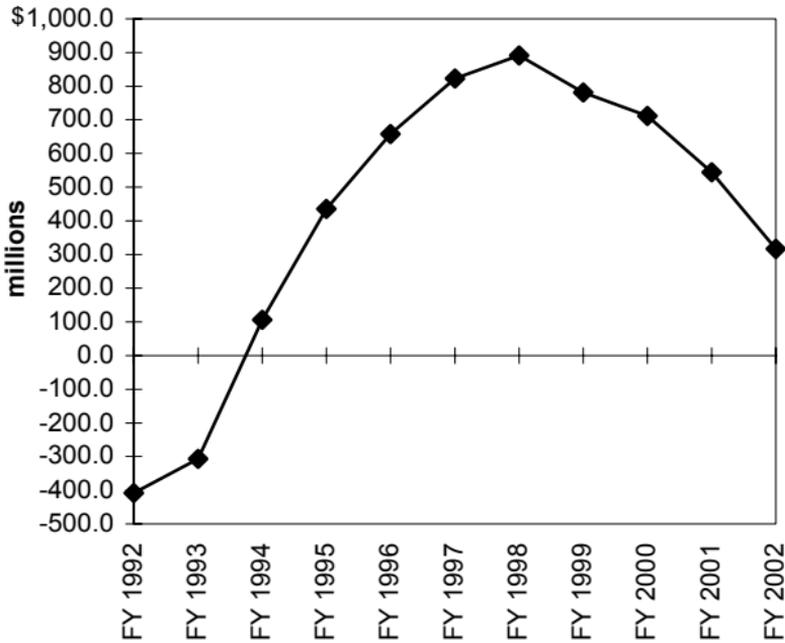
\$7.6 million interest deposited in G.F. for FY 2004



REBUILD IOWA INFRASTRUCTURE FUND (RIIF)	
Bal. Fwd.	\$ 0.1
Interest	2.0
Marine Fuel Tax	2.3
Gaming Revenue	31.3
Gaming Rev. Transfer	<u>-10.0</u>
Total Fund Avail.	25.7
Appropriations	<u>-57.8</u>
Balance Carried Forward	\$ -32.1

Appropriations

**GENERAL FUND BALANCE
UNRESERVED - GAAP BASIS
FY 1992 - FY 2002**



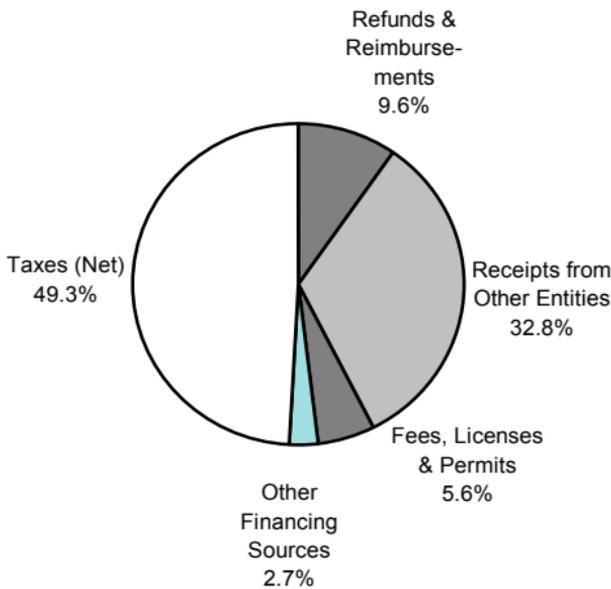
GAAP = Generally Accepted Accounting Principles

- Changes in the budgetary/legal basis fund balance will have a direct impact on the GAAP basis fund balance.
- In FY 1992, the State initiated a plan to eliminate the GAAP deficit by FY 1995. Budget reform initiatives, a solid Iowa economy, implementation of Governmental Accounting Standards Board Statement No. 22, (*Accounting For Taxpayer-Assessed Tax Revenues in Governmental Funds*), and a 25.0% increase in the State sales, services, and use tax, were the primary reasons for the early elimination of the GAAP deficit.

**STATE FUNDING SOURCES
AND EXPENDITURES**

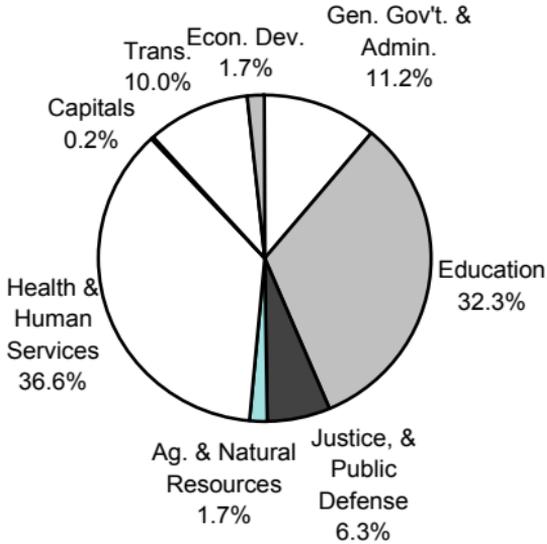
Most State operations are accounted for through governmental fund types (as specified in the Iowa Comprehensive Annual Financial Report): General, Tobacco, and Non-Major. Governmental revenues and other financing sources totaled \$9.9 billion for FY 2002. Net tax receipts decreased \$369.0 million (- 7.0%) compared to FY 2001. Receipts from other entities increased \$585.2 million (21.9%) compared to FY 2001.

FY 2002 Governmental Revenues and Other Financing Sources

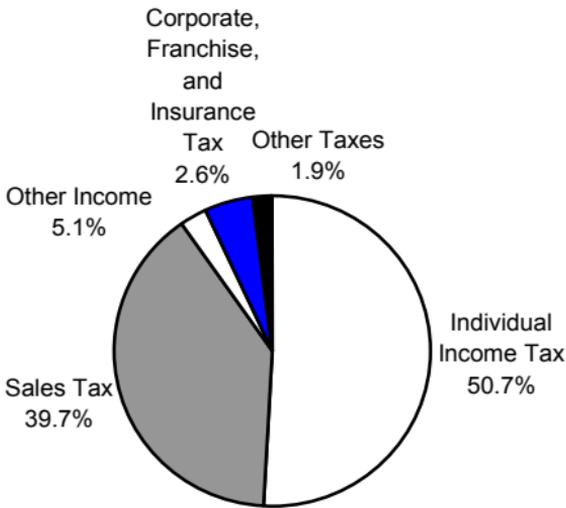


STATE EXPENDITURES GOVERNMENTAL FUNDS

FY 2002 State Governmental Expenditures

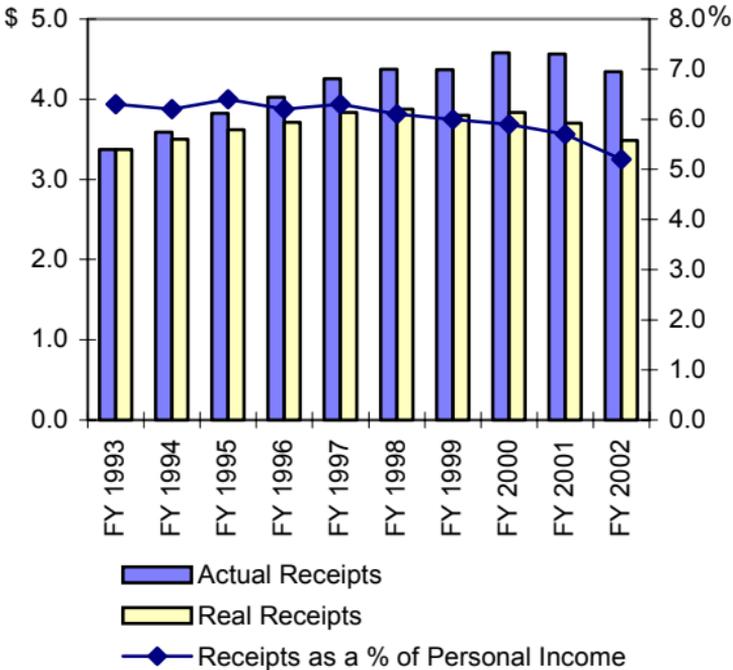


-
- Includes General Fund and all Other Governmental Funds. (Comprehensive Annual Financial Report)
 - Governmental expenditures totaled \$10.2 billion for FY 2002.
 - Expenditures exceeded revenues in FY 2002 due to local governments spent down reserve funds.

**SOURCES OF GENERAL FUND GROWTH
FY 1993 - FY 2002**

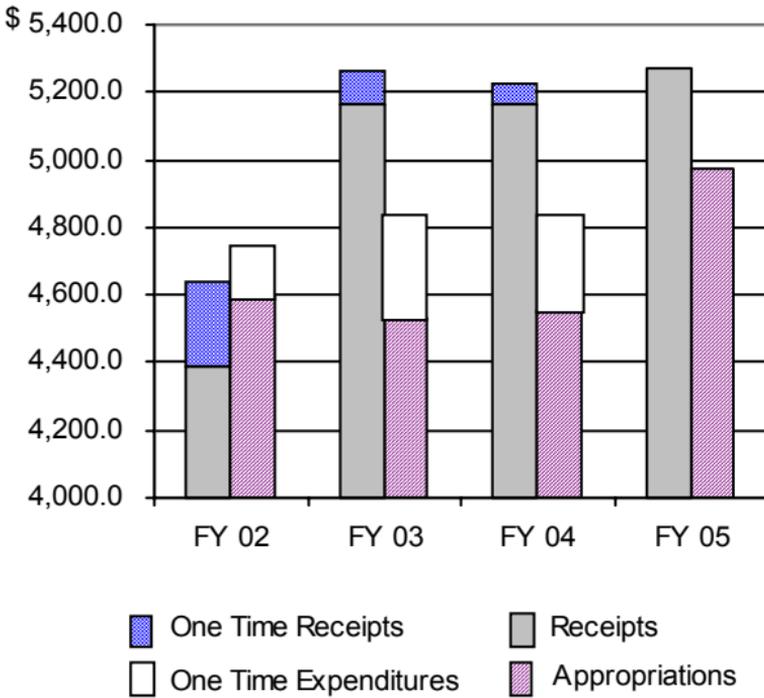
-
- The chart above does not include transfers to the General Fund from other funds, and percentages have not been adjusted for refunds.
 - Total receipts net of refunds and excluding transfers increased \$973.9 million from FY 1993 to FY 2002. This represents an average annual increase of 2.9%.
 - Since FY 1993, growth in personal income tax accounted for 50.7% of the total increase in General Fund receipts. Sales and use tax was second, and accounted for 39.7% of the total increase. Taxes paid by businesses (corporate income, franchise tax, and insurance tax) account for 2.6% of the increase.

GENERAL FUND RECEIPTS HISTORY
FY 1993 - FY 2002
 (\$ in billions)



- Actual General Fund Receipts are not adjusted for inflation and are net of refunds.
- Real Receipts are net General Fund Receipts adjusted for inflation, using the Consumer Price Index - all urban consumers (CPI-U).
- Receipts as a Percentage of Personal Income are actual net receipts divided by Personal Income. This is a measure of the change in the magnitude of the General Fund relative to the Iowa economy.
- From FY 1993 through FY 2002, Iowa General Fund net receipts (includes transfers and after refunds) grew \$973.4 million (28.9%). During that same period, Iowa's total State personal income grew \$29.7 billion (55.6%).
- In FY 1993, Iowa General Fund net receipts equaled 6.3% of total State personal income. In FY 2002, net General Fund receipts equaled 5.2% of personal income.
- Adjusted for inflation, the General Fund net receipts growth was \$116.1 million from FY 1993 to FY 2002.

**GENERAL FUND RECEIPTS AND EXPENDITURES
(\$ in millions)**



- Fiscal Year 2005 revenue reflects an assumption of 2.0% growth. To change this assumption by 1.0% add or subtract \$46.0 million.
- Fiscal Year 2005 expenditures reflect the FY 2004 level and one-time expenditures from other sources. Additional potential increases for FY 2005 total approximately \$156.0 million and include: Medicaid (\$55.0 million), School Aid 2.0% Allowable Growth (\$42.3 million), Collective Bargaining (\$30.0 million - FY 2004 level), and Healthy Iowans (\$29.8 million).

FY 2003 SHIFT OF EXPENDITURES AND REVENUES
 (\$ in millions)

	Estimated FY 2003
FY 2003 Expenditure Transfers from the General Fund	
Medical Assistance (Medicaid)	\$ 117.1
School Aid	45.0
State Employee Salaries	41.1
Tuition Replacement	27.3
Student Achievement	23.9
ICN and Prison Debt Service	18.4
DHS Programs	4.4
Soil Conservation Cost Share	3.5
Military Pay Differential	1.8
DPS - Capitol Security	0.9
Total	\$ 283.4

FY 2003 Revenue Transfers to the General Fund	
School Infrastructure Fund	\$ 22.0
Environment First Fund	18.4
Rebuild Iowa Infrastructure Fund	15.5
Underground Storage Tank Fund	10.0
Endowment for Healthy Iowans	9.0
Prison Infrastructure Fund	7.6
Reserve Fund Interest	5.2
Title Guarantee Fund	2.7
Vehicle Depreciation Fund	2.2
Waste Tire Fund	1.6
Ground Water Protection Fund	1.0
Jury & Witness Fund	1.0
Other Fund Transfers	0.9
Total	\$ 97.1

FY 2004 SHIFT OF EXPENDITURES AND REVENUES
 (\$ in millions)

	Estimated FY 2004
FY 2004 Expenditure Transfers from the General Fund	
Medical Assistance (Medicaid)	\$ 166.5
Nursing Facility Provider Reimb.	30.0
ICN and Prison Debt Service	18.4
DPH - Substance Abuse Treatment	11.8
Tuition Replacement	10.6
Elderly Services	7.5
Soil Conservation Cost Share	5.5
Child & Family Services	4.3
DNR Park Operations	2.0
Assisted Living/Adult Day Care	0.8
DPS - Capitol Security	0.8
DOT - Aviation Programs	0.5
DHS Purchase of Service Provider Increase	0.1
Total	\$ 258.8

FY 2004 Revenue Transfers to the General Fund	
Unclaimed Property (Demutualization)	\$ 26.7
Endowment for Healthy Iowans	20.0
Rebuild Iowa Infrastructure Fund	10.0
AEA Balance Transfer	10.0
Reserve Fund Interest	7.6
Abandoned Property (Unclaimed Securities)	3.7
Admin. Services Rental Fund Transfer	0.9
Total	\$ 78.9

**MAJOR STATE AND LOCAL
TAX SOURCES**

State Taxes	2003 Rate	Description
Individual Income Tax	0.36% to 8.98%	<ul style="list-style-type: none"> • Tax is paid on personal net income earned in Iowa. For tax year 2003, the filing threshold for a couple is \$13,500. The top rate applies to couple's taxable income in excess of \$54,495.
Sales and Use Tax	5.00%	<ul style="list-style-type: none"> • Tax is paid on the final sale of most goods and enumerated services. Food, prescription drugs, and professional services are the major exceptions.
Motor Vehicle Fuel Tax		<ul style="list-style-type: none"> • Tax is paid on purchases of various gas and fuel sources. Receipts are deposited in the Road Use Tax Fund.
Gasoline	\$0.203 per gallon	
Ethanol	\$0.190 per gallon	
Diesel	\$0.225 per gallon	
Liquid Propane	\$0.200 per gallon	
Aviation Gasoline	\$0.080 per gallon	
Aviation Jet Fuel	\$0.030 per gallon	
Compressed Nat. Gas	\$0.16/100 cubic feet	
Corporate Income Tax	6.00% to 12.00%	<ul style="list-style-type: none"> • Tax is paid on net income of corporations doing business within Iowa. Top rate applies to taxable income over \$250,000.
Insurance Premium Tax	1.75% to 2.00%	<ul style="list-style-type: none"> • Tax is imposed on adjusted gross amount of premiums (excluding annuities) of every insurance company except fraternal beneficiary associations.
Cigarette Tax	\$0.36 per package	<ul style="list-style-type: none"> • Tax is imposed on the sale of cigarettes.
Tobacco Tax	22.00%	<ul style="list-style-type: none"> • Tax is imposed on the wholesale price of tobacco, excluding tobacco subject to the cigarette tax.
Franchise Tax	5.00%	<ul style="list-style-type: none"> • Tax is imposed on the net income of most types of banks and financial institutions. Credit unions are taxed differently.

**MAJOR STATE AND LOCAL
TAX SOURCES (Contd.)**

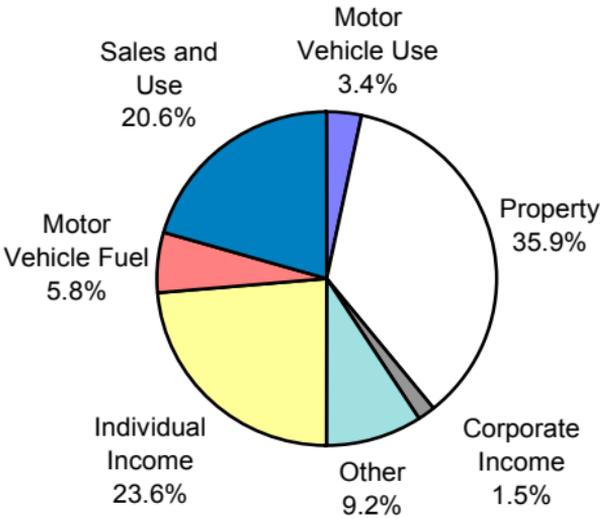
State Taxes	2003 Rate	Description
Inheritance Tax	1.00% to 15.00%	<ul style="list-style-type: none"> • Tax is imposed on beneficiaries other than lineal descendants. Rates and brackets vary according to relationship of beneficiary to the deceased.
Local Taxes	2003 Rate	Description
Property Tax	Varies - the residential average rate is approximately 3.1% of taxable valuation.	<ul style="list-style-type: none"> • Tax is imposed on the taxable value of real property, including land and buildings. Tax is being phased out for machinery, equipment, and computers. For FY 2003, residential property is taxed at 51.7% of its market value.
Local Option Sales Tax	1.00%	<ul style="list-style-type: none"> • Tax is added to general State sales tax but not to use tax. State remits collections to local cities and counties.
Local Option Sales Tax for Schools	1.00%	<ul style="list-style-type: none"> • Tax is added to general State sales tax but not to use tax. State remits collections to school districts.
Hotel/Motel Tax	Varies - it may not exceed 7.00%.	<ul style="list-style-type: none"> • Tax is imposed on the gross receipts of hotel and motel room rentals. Disbursed to local governments imposing the tax.
Individual Income School District tax	Varies - it may not exceed 20.00% of State income tax liability.	<ul style="list-style-type: none"> • Tax is imposed by school districts on residents' State income tax payments.

GENERAL FUND RECEIPTS
(\$ in millions)

	Estimated FY 2004 REC	Percent of Total Receipts
Tax Receipts		
Personal Income Tax	\$ 2,497.5	48.2%
Sales Tax	1,465.0	28.3%
Use Tax	245.0	4.7%
Corporate Income Tax	238.0	4.6%
Inheritance Tax	81.0	1.6%
Insurance Premium Tax	153.0	3.0%
Cigarette Tax	85.0	1.6%
Tobacco Tax	7.0	0.1%
Beer Tax	14.3	0.3%
Franchise Tax	34.0	0.7%
Miscellaneous Tax	1.5	0.0%
Total Tax Receipts	4,821.3	93.1%
Other Receipts		
Institutional Payments	14.8	0.3%
Liquor Profits	40.0	0.8%
Liquor 7% Revenues	9.0	0.2%
Interest	10.6	0.2%
Fees	68.2	1.3%
Judicial Revenue	56.8	1.1%
Miscellaneous	38.0	0.7%
Racing and Gaming	60.0	1.2%
Transfers	47.8	0.9%
Accruals	12.0	0.2%
Total Other Receipts	357.2	6.9%
Total Receipts	5,178.5	100.0%
Refunds	- 650.0	- 12.6%
Net Receipts	\$ 4,528.5	87.4%

REC = Revenue Estimating Conference (April 2003)

**DISTRIBUTION OF MAJOR STATE AND LOCAL
TAX SOURCES - ACTUAL FY 2002
(\$ in millions)**



Other = Inheritance (1.2%), Insurance Premium (1.7%), Beer (0.2%), Cigarette/Excise (1.2%), Franchise (0.4%), Local Option Sales (3.7%), Local Option Income (0.5%), and Hotel/Motel (0.3%)

Tax	Rate	Actual FY 2002	Percent of Major Tax Sources
Property	3.08%	\$ 2,869.4	35.9%
Individual Income	0.36% - 8.98%	1,885.6	23.6%
Sales & Use	5.00%	1,643.3	20.6%
Local Option Sales	1.00% - 2.00%	297.6	3.7%
Local Option Inc.	20.0% IA inc. tax	42.2	0.5%
Hotel/Motel	up to 7.00%	24.1	0.3%
Motor - Fuel	\$0.19 - \$0.23	459.4	5.8%
Corporate Income	6.00% - 12.00%	117.0	1.5%
Motor - Use	5.00%	273.9	3.4%
Insurance	2.00%	135.4	1.7%
Cig./Excise	\$0.36 per pack	95.1	1.2%
Beer	\$0.19 per gallon	13.8	0.2%
Inheritance	1.00% - 15.00%	100.3	1.2%
Franchise	5.00%	31.2	0.4%
Total		\$ 7,988.3	100.0%

Note:

Receipts are net of refunds.

STATE GAMBLING

Wagering Tax Revenue
(\$ in millions)

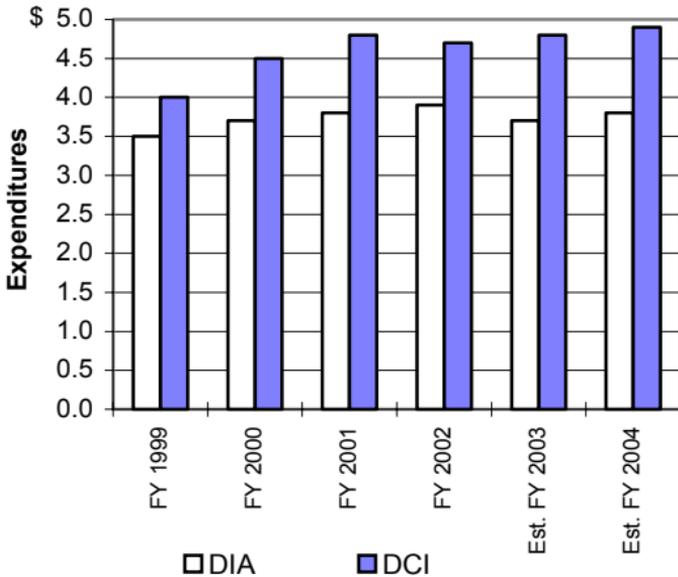
Fiscal Year	Pari-Mutuel	Riverboats	Slot Machines	Total
1994	\$ 1.7	\$ 6.8	NA	\$ 8.5
1995	1.7	31.7	\$ 13.5	46.9
1996	1.1	56.4	49.3	106.8
1997	1.1	75.3	48.9	125.3
1998	1.0	84.5	55.2	140.7
1999	0.8	92.9	65.4	159.1
2000	0.6	103.3	75.8	179.7
2001	0.5	106.3	80.8	187.6
2002	0.4	116.5	89.5	206.4
Est. 2003	0.4	118.8	58.6	177.8
Est. 2004	0.4	118.8	58.6	177.8

Notes:

- 1) Cities and counties, in which the gaming takes place, each receive 0.5% and Gamblers Treatment 0.3% of the adjusted gross receipts for off-the-top allocations.
- 2) The next \$60.0 million in gambling revenues is deposited into the General Fund. After the General Fund deposit, a \$15.0 million annual transfer is made to the Vision Iowa Fund, a \$5.0 million transfer is made to the School Infrastructure Fund.
- 3) Should funds be available after the above allocation and transfer of \$80.0 million, a maximum of \$80.0 million is to be deposited into the Endowment for Iowa's Health Account of the Tobacco Settlement Trust Fund during FY 2002, \$75.0 million during FY 2003, and \$70.0 million for each year, FY 2004 through FY 2007. Transfers are made from the Endowment to the General Fund, Healthy Iowans Tobacco Trust, School Aid, and Tuition Replacement.
- 4) For FY 2003, should funds be available after the above allocations and transfers of \$155.0 million, a maximum of \$15.5 million is to be deposited into the General Fund.
- 5) For FY 2004, should funds be available after the above allocations and transfers of \$150.0 million, a maximum of \$10.0 million is to be deposited into the General Fund.
- 6) Any remaining State wagering tax revenue is transferred to the Rebuild Iowa Infrastructure Fund.

STATE GAMBLING (Contd.)

**Regulatory Expenditures
(\$ in millions)**



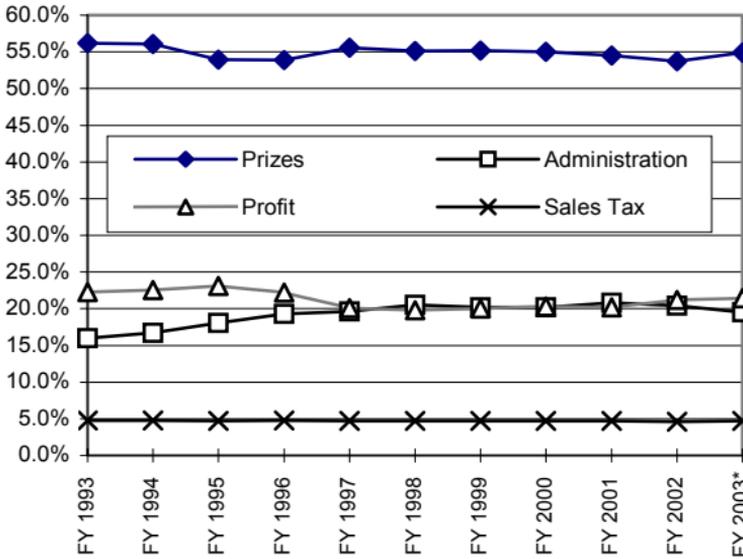
- The Racing and Gaming Commission within the Department of Inspections and Appeals (DIA) processes occupational license applications; prepares administrative rules; reviews incident reports, licensing applications, and background checks; and observes activities to ensure compliance with laws and regulations.
- The Division of Criminal Investigation (DCI) of the Department of Public Safety performs background checks and provides on-site enforcement of regulations.

**Regulatory Expenditures
(\$ in millions)**

	Actual FY 2002	Estimated FY 2003	Estimated FY 2004
Riverboats			
DCI	\$ 4.3	\$ 4.3	\$ 4.4
DIA	\$ 1.7	\$ 1.6	\$ 1.7
Pari-Mutuel			
DCI	\$ 0.4	\$ 0.5	\$ 0.5
DIA	\$ 2.2	\$ 2.1	\$ 2.1

DCI = Division of Criminal Investigation
DIA = Department of Inspections and Appeals

LOTTERY EXPENSES AS A PERCENT OF TOTAL REVENUE



- From Lottery inception through FY 1997, annual Lottery profits exceeded annual Lottery administration expenses as a percent of total revenue. Due to declining sales and increased incentives for Lottery retailers, Lottery administrative expenses have been approximately equal to Lottery profits since FY 1997.
- The percentage of Lottery revenue returned to Lottery players in the form of prizes has been approximately 55.0% beginning in FY 1997.
- Included in the sales amount for FY 2002 is the receipt of \$1.2 million due to the demutualization of Principal Mutual Insurance Company, and \$1.8 million net settlement proceeds from a settlement with Scientific Games, Inc., the vendor for the replacement of store terminals. House File 2627 (FY 2003 Omnibus II - Budget Act) requires the Lottery to deduct \$500,000 from its calculated retained earnings before making Lottery proceeds transfers to the State General Fund during FY 2003. The impact will be an increased one-time transfer of \$500,000 during FY2003.
- Included in the proceeds transfer for FY 2003 is \$1.2 million for Iowa's share of an unclaimed Powerball ticket sold in Indiana.

*The FY 2003 information is through March 2003.

**RESOURCE ENHANCEMENT AND
PROTECTION (REAP) FUND**

Funding for the Resource Enhancement and Protection (REAP) Fund is appropriated from the Environment First Fund. For FY 1997 through FY 1999, \$9.0 million annually was appropriated to the REAP Fund. In FY 2000, \$10.5 million was appropriated. For FY 2001 through FY 2002, \$10.0 million was appropriated to the REAP Fund.

For FY 2003, the General Assembly passed HF 2614 (FY 2003 Infrastructure Appropriations Act) that was signed by the Governor, and the REAP Fund was appropriated \$10.0 million from the Environment First Fund. During the Second Extraordinary Session, the General Assembly passed HF 2627 (FY 2003 Omnibus II Budget Act) that deappropriated \$8.0 million from the REAP Fund and transferred the money to the General Fund. The Act also specified the remaining \$2.0 million be used to reimburse political subdivisions for lost property taxes on land purchased by the Department of Natural Resources using funds from the Open Spaces Account in the REAP Fund.

For FY 2004, the General Assembly passed SF 452 (FY 2004 Infrastructure Appropriations Act) and the REAP Fund was appropriated \$11.0 million from the Environment First Fund.

IOWA'S CASH MANAGEMENT PRACTICES

Iowa's cash is managed by the State Treasurer's Office. To earn the most interest possible, cash is invested as soon as it is collected, while enough cash remains on hand to pay State bills. Funds of State agencies which are temporarily available for investment are pooled together and invested in certificates of deposit, U.S. Treasury bills and notes, and other corporate debt instruments as allowed by law. Investment goals are set by statute:

- Safety - restrictions on types of investments, limits on credit risk, maturities, and use of leverage is prohibited.
- Liquidity - always have the next 60 days of bills funded; purchase liquid securities.
- Yield - core portfolio invested for longer periods; use of laddered maturities.

The current size of the investment pool is approximately \$1.5 billion. The realized cash annual rate of return for FY 2002 was 4.96%.

DEBT ADMINISTRATION

The Constitution of the State of Iowa prohibits the State from exceeding a maximum of \$250,000 in general obligation debt without voter approval. However, statute authorizes the issuance of Tax and Revenue Anticipation Notes (TRANS), provided the total issuance does not exceed anticipated revenue receipts for the fiscal year and the total issuance mature during the fiscal year.

- The State issued \$500.0 million in TRANS during FY 2002.
- To date in FY 2003, the State has not issued TRANS.

DEBT MANAGEMENT



The State of Iowa reported total outstanding debt of \$7.531 billion on June 30, 2002, for all governmental entities. This represents an increase of \$1.566 billion (26.3%) compared to FY 2001. Of the \$1.566 billion increase, \$877.1 million is attributed to the issuance of \$644.2 million in bonds that will be repaid with tobacco settlement payments as well as \$232.9 million in outstanding bonds issued for the Vision Iowa and School Infrastructure Programs during FY 2002. The Vision Iowa and School Infrastructure bonds are being repaid with a portion of the State wagering tax.

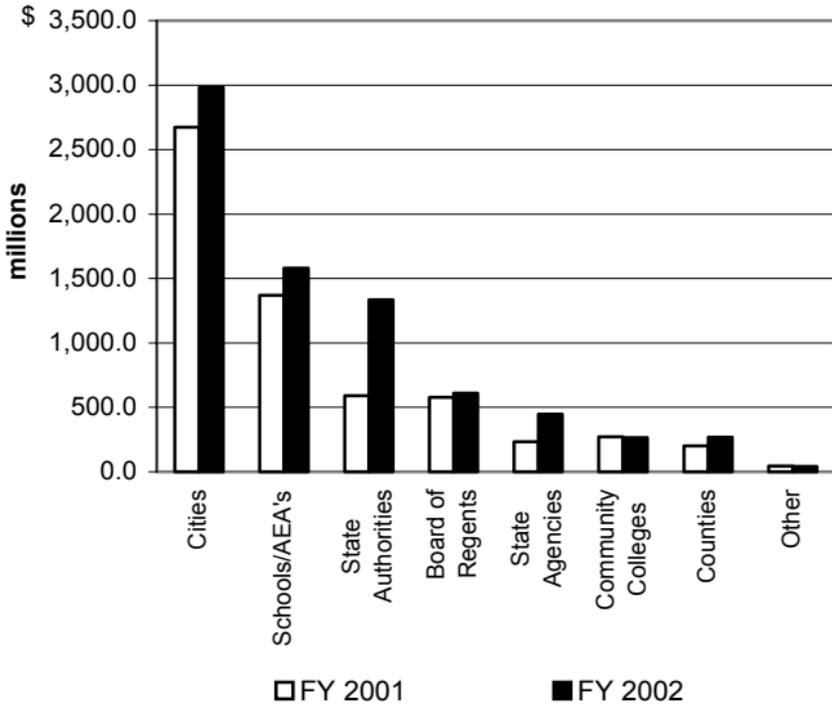
Other entities that reported sizable increases in debt during FY 2002 include: cities - \$309.4 million increase (11.6%), counties - \$65.9 million (32.7%), and school districts - \$210.8 million (15.4%).

Debt financing is used for a variety of purposes which include: construction and renovation of public buildings, schools, housing and urban development, utilities, jails and prisons, park and recreational facilities, and local streets and parking lots.

A variety of financing mechanisms are available for use by the State and local units of government for public infrastructure improvements. These include:

- General obligation bonds
- Revenue bonds
- Certificates of participation (lease purchase)
- Special assessments on property
- Tax increment financing
- Special tax allocation and dedication such as hotel and motel taxes

OUTSTANDING DEBT BY ENTITY



Entity	FY 2001	FY 2002
Cities	\$ 2,672,993,839	\$ 2,982,421,272
Schools/AEA's	1,371,218,713	1,581,970,200
State Authorities	591,781,954	1,334,996,925
Board of Regents	576,762,342	608,619,253
State Agencies	234,665,000	447,720,000
Community Colleges	271,593,795	265,332,219
Counties	201,365,087	267,249,896
Other	44,593,347	42,820,566
Total	\$ 5,964,974,077	\$ 7,531,130,331

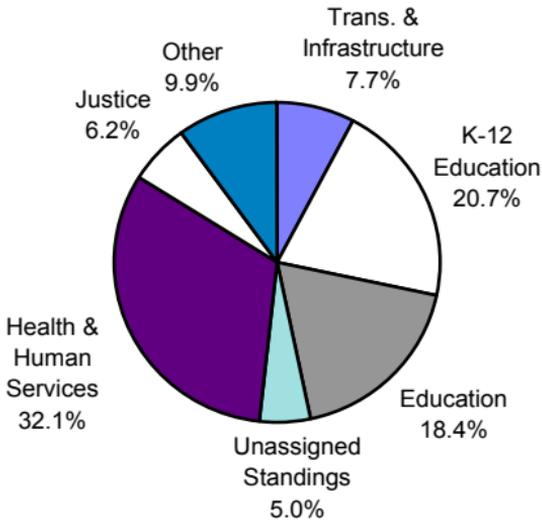
BUDGETS AND APPROPRIATIONS

IOWA'S BUDGET PROCESS

- The Governor and the State Legislature allocate state resources and set revenue collection levels through the budgeting process.
- The process begins in June of each year for the fiscal year which starts 12 months later on July 1.
- State agencies prepare budget requests within the guidelines set by the Governor and submit their requests by October 1.
- The Revenue Estimating Conference meets before December 15 to set revenue estimates which will serve as a basis for the General Fund budget for the following fiscal year.
- The Governor submits annual recommendations to the Legislature in January.
- By statute, the Governor's budget must be balanced and must meet expenditure limitations.
- The Legislature conducts budget hearings during January and February. Recommendations from the eight joint budget subcommittees are passed on to Appropriations Committees and the floor for debate in each chamber.
- The State Constitution allows the Governor line-item veto authority over appropriations bills.



**APPROPRIATED SPENDING
FY 2004
(\$ in millions)**

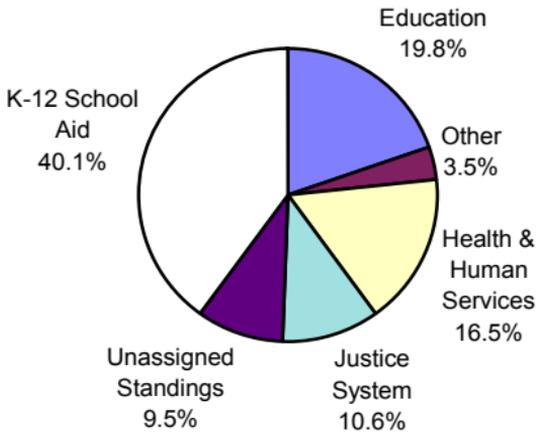


Categories	Est. FY 2004 Appropriations	Percentage
Admin. & Regulation	\$ 207.7	2.4%
Ag. & Natural Resources	98.1	1.1%
Economic Development	565.6	6.4%
K-12 Education	1,827.5	20.7%
Education	1,627.5	18.4%
Health & Human Services	2,836.8	32.1%
Justice System	550.7	6.2%
Trans. & Infrastructure	677.1	7.7%
Unassigned Standings	437.3	5.0%
Total	\$ 8,828.3	100.0%

Notes:

- 1) This represents appropriations from the General Fund, Federal Funds, and Other Funds.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, and Economic Development.

**DISTRIBUTION OF ESTIMATED FY 2004
STATE GENERAL FUND APPROPRIATIONS
(\$ in millions)**

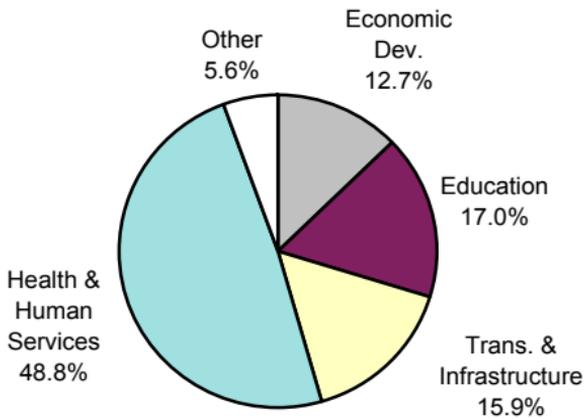


<u>Subcommittee</u>	<u>Est. FY 2004 Appropriations</u>	<u>Percent of Total</u>
Admin. & Regulation	\$ 107.6	2.3%
Ag. & Natural Resources	32.5	0.7%
Economic Development	22.4	0.5%
Education	901.5	19.8%
Health & Human Services	755.0	16.5%
Justice System	484.5	10.6%
Trans. & Infrastructure	0.0	0.0%
Unassigned Standings	431.4	9.5%
K-12 School Aid	1,827.6	40.1%
Total	\$ 4,562.5	100.0%

Note:

"Other" includes Administration and Regulation, Agriculture and Natural Resources, Economic Development, and Transportation and Infrastructure.

**NON-GENERAL FUND APPROPRIATED FUNDS
ESTIMATED FY 2004
(\$ in millions)**

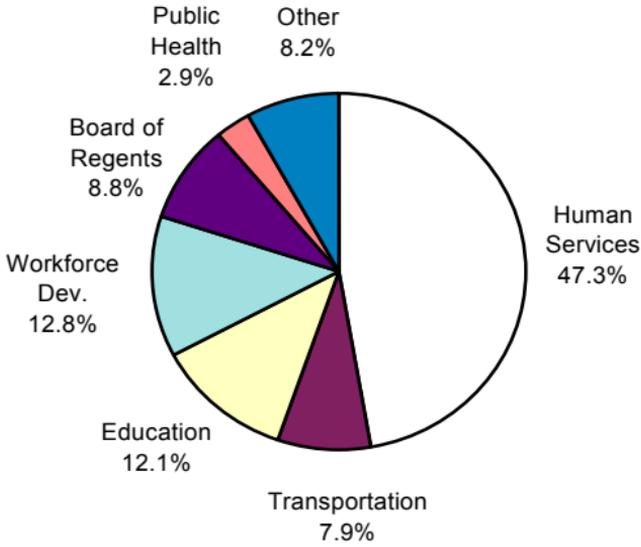


<u>Subcommittee</u>	<u>Estimated FY 2004 Appropriations</u>	<u>Percent of Total</u>
Admin. & Regulation	\$ 100.2	2.4%
Ag. & Natural Resources	65.6	1.5%
Economic Development	543.3	12.7%
Education	725.9	17.0%
Health & Human Services	2,081.5	48.8%
Justice System	66.3	1.6%
Trans. & Infrastructure	677.1	15.9%
Unassigned Standings	5.9	0.1%
Total	\$ 4,265.8	100.0%

Notes:

- 1) Sources of non-General Fund appropriations include, but are not limited to: federal funds, the Road Use Tax Fund, the Primary Road Fund, the Tobacco Settlement Fund, and the Rebuild Iowa Infrastructure Fund.
- 2) "Other" includes Administration and Regulation, Agriculture and Natural Resources, Justice System, and Unassigned Standings.

**FEDERAL FUNDS
ESTIMATED FY 2004
(\$ in millions)**

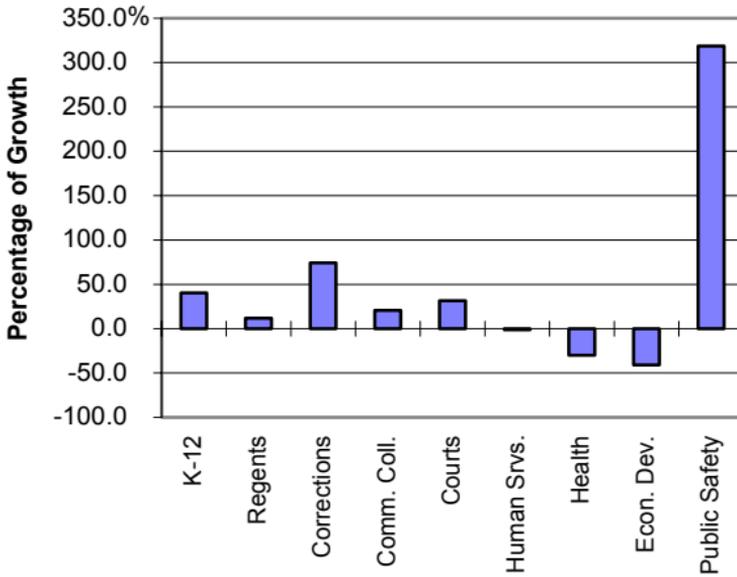


<u>Department</u>	<u>Est. FY 2004</u>	<u>Percent of Total</u>
Human Services	\$ 1,555.7	47.3%
Education	397.4	12.1%
Board of Regents	290.6	8.8%
Transportation	261.7	7.9%
Workforce Development	420.6	12.8%
Public Health	96.2	2.9%
Other	269.2	8.2%
Department Total	\$ 3,291.4	100.0%

Note:

"Other" includes all other State agencies reporting federal funds.

**GROWTH OF SELECTED
GENERAL FUND BUDGETS
FY 1995 - FY 2004**



**CHANGE IN SELECTED BUDGETS
FY 1995 - FY 2004
(\$ in millions)**

Budget	Difference	Percent Difference
K-12	\$ 559.4	40.3%
Regents	64.9	11.7%
Corrections	107.5	74.0%
Community Colleges	23.8	20.6%
Courts	27.7	31.5%
Human Services	- 8.6	- 1.2%
Public Health	- 10.4	- 30.0%
Economic Development	- 9.5	- 40.9%
Public Safety	46.2	318.6%
Selected Budgets Total	\$ 801.0	86.2%
Total Other Changes	128.5	13.8%
Total Increase	\$ 929.5	100.0%

INFRASTRUCTURE FUNDING

Appropriations from infrastructure revenue sources include funding for environmental programs, technology projects, debt service on certain bonds, tobacco settlement attorney litigation payments, as well as capital and infrastructure projects. These appropriations bills have included three main sources of funds: The Rebuild Iowa Infrastructure Fund (RIIF), Restricted Capital Fund of the Tobacco Settlement Trust Fund, and the Environment First Fund.

The RIIF was established in Section 8.57(5), Code of Iowa, to be used for public infrastructure-related expenditures as directed by the General Assembly. The Fund receives revenue from the following sources:

- The interest earned by the Cash Reserve Fund and the Economic Emergency Fund in accordance with Sections 8.55(4) and 8.56(1), Code of Iowa. In FY 2002, FY 2003, and FY 2004, the interest has been transferred to the General Fund.
- In FY 2004, State Wagering Tax revenues in excess of \$155.0 million. Under current law, the RIIF is to receive an estimated \$31.3 million from the wagering tax. However, if the U.S. Supreme Court overturns an Iowa Supreme Court ruling that reduced the State tax rate on racetracks from 32.0% to 20.0%, the RIIF will receive an estimated \$40.0 million each year in FY 2003 and FY 2004.
- The RIIF also retains interest earned and receives Marine Fuel tax receipts, after the first \$411,000 are deposited into the General Fund.

The revenue in the Restricted Capital Fund is from \$540.0 million of tax-exempt bond proceeds that were issued through the tobacco securitization process, and the interest earned on the proceeds. Appropriations from the Fund are required to be used for depreciable assets, and in a manner that does not adversely affect the tax-exempt status of the bonds.

Appropriations for the FY 2004 infrastructure and related projects total \$208.7 million. This includes \$150.1 million from the Restricted Capital Fund and a total of \$58.6 million from the RIIF. Included in the RIIF appropriations is \$35.0 million for the Environment First Fund.

INFRASTRUCTURE FUNDING APPROPRIATIONS
(\$ in millions)

	FY 2004		
	RIIF	RCF	Total
Environ. First Fund	\$ 35.0	\$ 0.0	\$ 35.0
Iowa Comm. Network	2.7	0.0	2.7
Information Tech.	2.0	6.1	8.1
Education	0.6	10.0	10.6
Corrections	1.1	7.5	8.6
Cultural Affairs	1.1	0.0	1.1
Economic Dev.	3.8	2.5	6.3
General Services	8.4	34.4	42.8
State Fair Authority	0.0	0.5	0.5
Public Defense	0.9	2.8	3.7
Public Safety	1.4	1.0	2.4
Board of Regents	1.1	42.9	44.0
Transportation	0.5	2.7	3.2
Natural Resources	0.0	7.0	7.0
Treasurer of State	0.0	32.7	32.7
Total	\$ 58.6	\$ 150.1	\$ 208.7

RCF = Restricted Capital Fund (Tobacco)

RIIF = Rebuild Iowa Infrastructure Fund

SALARY ADJUSTMENT

Salary adjustment is an increase allocated to each department's personnel services budget to provide funding for such things as Cost of Living Adjustments (COLA), changes in the cost of health insurance premiums, salary annualization, and merit step increases that will take place sometime during the upcoming fiscal year.

For FY 2004, \$30.0 million was appropriated from the General Fund to the Salary Adjustment Fund administered by the Department of Management.

The Department of Management will allocate the funds to State agencies by July 1.

Salary annualization provides departments with funds to pay for merit step increases that were not provided for in the prior year's Salary Adjustment Bill. For example, if an employee received a merit step increase in March 2003, an amount sufficient to pay the merit step increase for three months during FY 2003 would have been provided for in the FY 2003 Salary Adjustment Bill. Salary annualization would be included in the FY 2004 Salary Adjustment Bill to provide the department with funding for the employee's merit step from July 2003 to March 2004 (nine months).

If all employees had review dates at the beginning of the fiscal year, there would be no salary annualization due to merit step increases. However, if this was the case, the cost of salary adjustment would increase proportionately.

STATE AND LOCAL GOVERNMENT

**ANNUAL COST PER PARTICIPANT
FOR MAJOR STATE PROGRAMS
ESTIMATED FY 2003**

	Number of Participants	Average Annual Cost Per Participant	
		State Aid	Total Gov't.
Corrections			
Prison Inmates ^a	8,307	\$ 22,226	\$ 22,226
Education - Students			
K-12 ^b	487,021	\$ 3,663	\$ 5,752
ISD	122	65,115	65,115
IBSSS	39	114,002	114,002
Community Colleges ^c	69,564	1,992	2,268
Regents - Higher Education	51,481	10,199	10,199
Private Colleges ^d	15,178	3,038	3,038
Human Services			
Foster Care ^e	3,319	\$ 11,586	\$ 24,937
Mental Health Institutions ^f	249	166,264	176,938
State Resource Centers ^f	691	11,618	131,004
Family Investment Program ^g	19,806	1,782	6,261
Medical Assistance	254,939	2,190	7,864

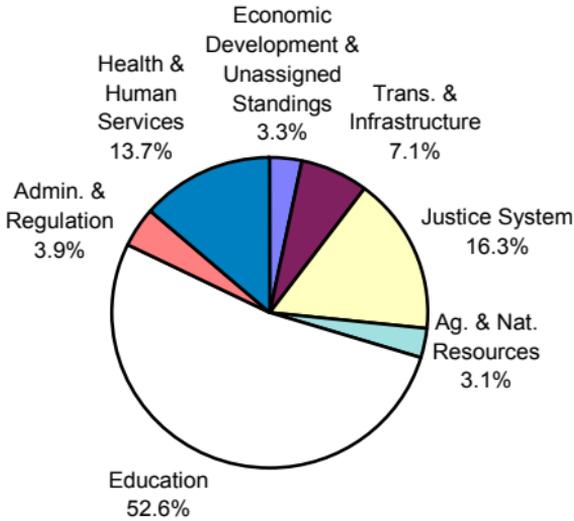
Notes:

- a) Average prison population.
b) Total government includes all property tax generated by school aid formula but not individual district levies.
c) Total government includes property tax for operations only. Infrastructure, management, and other levies are not included.
d) Number of participants includes only students who receive tuition grants.
e) Group Foster Care and Family Foster Care.
f) Represents capacity rather than participants.
g) Represents cost per case.

ISD = Iowa School for the Deaf

IBSSS = Iowa Braille and Sight Saving School

FULL-TIME EQUIVALENT POSITIONS ESTIMATED FY 2004



<u>Subcommittee</u>	<u>Estimated FY 2004</u>	<u>Percent of Total</u>
Admin. & Regulation	1,966.1	3.9%
Ag. & Natural Resources	1,563.8	3.1%
Economic Development	1,252.1	2.5%
Education*	26,261.6	52.6%
Health and Human Services	6,852.6	13.7%
Justice System	8,148.9	16.3%
Trans. & Infrastructure	3,538.0	7.1%
Unassigned Standings	412.1	0.8%
Total	49,995.2	100.0%

*Regent's totals reflect head count, not full-time equivalent position.

**COLLECTIVE BARGAINING SETTLEMENTS
FY 2004 - FY 2005**

The values listed in the table below are the cost-of-living adjustments specified by state employee collective bargaining contracts.

	FY 2004	FY 2005
AFSCME	2.00%	2.00%*
JUDICIAL AFSCME	2.00%	2.00%
IUP	2.00%	2.00%**
SPOC	2.00%	2.00%
UFI	3.50%	3.75%
PPME	2.00%	2.00%
COGS	2.90%	4.80%
SEIU	6.50%	6.40%

*Effective 1/1/05

**Effective 9/1/04

Note:

Contracts allow for merit step increases for employees granted merit steps for both FY 2004 and FY 2005.

AFSCME = American Federation of State, County, and Municipal Employees

IUP = Iowa United Professionals

SPOC = State Police Officers Council

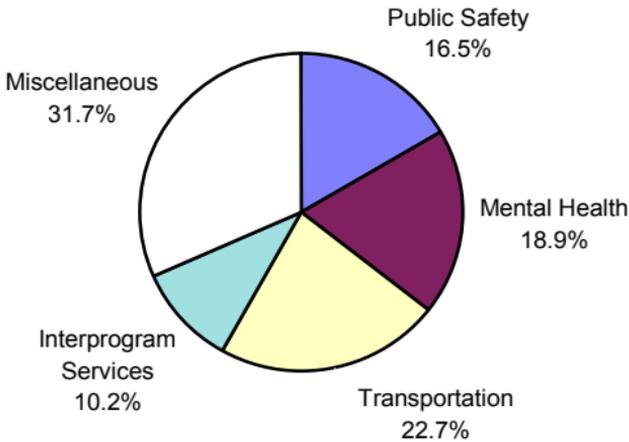
UFI = United Faculty of Iowa

PPME = Public Professional and Maintenance Employees

COGS = Campaign to Organize Graduate Students

SEIU = Service Employees International Union/Tertiary Health Care Unit, University of Iowa

**BUDGETED COUNTY
EXPENDITURES
FY 2003**



Budgeted County Expenditures	Estimated FY 2003
Public Safety	\$ 267,170,148
Mental Health	305,727,145
Transportation	367,146,870
Interprogram Services	165,535,329
Miscellaneous	
State & Local Gov't. Services	50,365,076
Physical Health Education	76,201,736
Social Services	99,345,419
County Environment	83,526,450
Debt Service	38,167,387
Capital Projects	140,996,699
Court Services	18,091,640
Other	4,038,084
Total	\$ 1,616,311,983

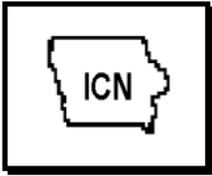
Note:

The FY 2003 ending fund balances for all counties is \$362.3 million.

**GENERAL FUND FINANCIAL ASSISTANCE
TO LOCAL GOVERNMENTS
(\$ in millions)**

	Actual FY 2002	Est. FY 2003	Est. FY 2004
District School Aid	\$ 1,834.3	\$ 1,886.8	\$ 2,003.6
Community Empowerment	14.7	13.7	13.7
Community College Aid	137.6	138.6	139.3
Single County Contracts	10.2	9.5	9.5
Substance Abuse Grants	0.8	0.8	0.8
Elderly Services	3.8	3.4	2.3
Child & Family Services	101.4	103.8	107.1
Family Investment Program	34.6	35.3	36.2
Community Mental Health/ Mental Retardation Fund	18.7	17.8	17.8
Medical Assistance	394.4	377.2	352.0
Community-based Programs	0.5	0.0	0.0
Peace Officers Retirement Reimbursement	2.8	2.8	2.8
Public Transit Assistance	9.8	8.5	8.5
Aviation Assistance	2.1	0.0	0.0
Fire Fighter Training	0.6	0.5	0.5
Homestead Tax Credit	111.2	105.6	105.6
Agriculture Land Tax Credit	37.4	35.5	35.5
Elderly/Disabled Property Tax Credit	15.9	15.8	16.7
Franchise Tax	8.4	8.0	8.8
Military Tax Credit	2.6	2.6	2.6
Personal Property Tax Replacement	53.9	51.1	0.0
Mental Health	103.8	109.2	114.1
Machinery & Equipment Reimbursement	15.1	21.0	11.3
Livestock Production Credit	1.9	1.8	1.8
Local Government Innovation Fund	0.0	0.0	1.0
Total Assistance	\$ 2,916.5	\$ 2,949.3	\$ 2,991.5
 Total Assistance as a Percent of General Fund Expenditures	 65.3%	 66.5%	 65.6%

THE IOWA COMMUNICATIONS NETWORK



The Iowa Communications Network (ICN) was created by the 1989 General Assembly as a fiber optic "Highway" capable of carrying all forms of communications traffic, including voice, distance education, telemedicine, government

information and services, and computer network data. Fiber optics converts voice, video, and data signals into digital light impulses which are transmitted over hair-thin glass fibers.

In FY 2000, the ICN began converting the Network to asynchronous transfer mode (ATM) and MPEG II technology. This conversion will increase capacity of the Network and replace failing optics. As of the end of March 2003, the equipment on all ATM rings has been installed, and the MPEG II codecs have been installed in the western half of the State. With the final appropriation of \$5,000,000 made in FY 2003, the remainder of the codecs will be installed in FY 2003, and the project will be complete.

For FY 2004, the appropriations included:

- \$0.5 million from the General Fund to the Iowa Telecommunications and Technology Commission (ITTC) for subsidization of operations related to video services. The Fund was able to be reduced by \$1.6 million compared to FY 2002, due to reimbursements from the Universal Federal Service Fund.
- \$13.0 million to the Treasurer of State for debt service from the Restricted Capital Fund (Tobacco).
- \$1.6 million from the General Fund to the Department of Education for Part III support services.
- \$2.7 million from the Rebuild Iowa Infrastructure Fund (RIIF) to the Commission. This is payment for maintenance and lease costs of Part III connections. The original leases are for a seven-year period. Leases will be renegotiated as they expire.

THE IOWA COMMUNICATIONS NETWORK (Contd.)

The Code of Iowa authorizes specific users. These include the Iowa National Guard, Iowa Public Television, libraries, State government agencies, community colleges, Regents institutions, private colleges and universities, all local school districts, area education agencies, hospitals and physician clinics, federal agencies, Iowa judicial and corrections systems, and the United States Postal Service.

ICN Classroom Sites as of April 2003:

16	Area Education Agencies
105	Community Colleges
399	K-12 School Districts
6	Other Education
52	Libraries
17	Medical Facilities
21	Private Colleges
25	Regent Institutions
55	National Guard
51	State Agencies
17	Federal Agencies
<u>5</u>	Miscellaneous Sites
<u>769</u>	Total

**IOWA COMMUNICATIONS NETWORK
FY 2002 - FY 2004 FUNDING**

FY 2002	General Fund	Pooled Tech. Account or Tobacco Fund
Part III Support - DOE	\$ 1,929,536	
ICN Rate Subsidization	2,116,871	
Debt Service	9,940,000	
Debt Service - Pooled FY 2001		\$ 1,400,000
Debt Service - Tobacco Fund		1,465,443
Part III Connections -		
Maintenance & Leases - Pooled		2,727,000
Maintenance & Leases - Tobacco		3,500,000
Totals	<u>\$ 13,986,407</u>	<u>\$ 9,092,443</u>

Estimated FY 2003	General Fund	RIIF or Tobacco Fund
Part III Support - DOE	\$ 1,612,500	
ICN Rate Subsidization	1,027,503	
Debt Service - Tobacco Fund		\$ 13,044,784
Part III Connections -		
Maintenance & Leases - RIIF		2,727,004
ATM Conversion - Tobacco		5,000,000
Totals	<u>\$ 2,640,003</u>	<u>\$ 20,771,788</u>

Estimated FY 2004	General Fund	RIIF or Tobacco Fund
Part III Support - DOE	\$ 1,619,656	
ICN Rate Subsidization	500,000	
Debt Service - Tobacco Fund		\$ 13,044,784
Part III Connections -		
Maintenance & Leases - RIIF		2,727,000
ATM Conversion - Tobacco		0
Totals	<u>\$ 2,119,656</u>	<u>\$ 15,771,784</u>

DOE = Department of Education

ICN = Iowa Communications Network

RIIF = Rebuild Iowa Infrastructure Fund

Pooled Tech. = Pooled Technology Account

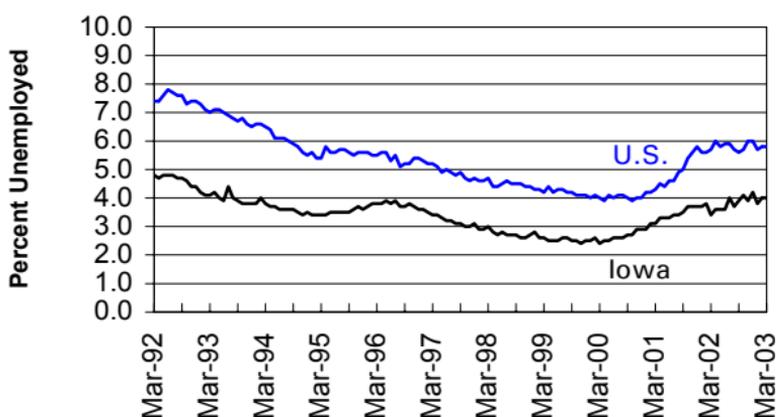
Tobacco Fund = Restricted Capital Fund (Tobacco)

IOWA ECONOMY

ECONOMIC SUMMARY

Iowa's economy, along with the national economy, had experienced six years of solid growth from 1995 to 2001. However, March 2001, marked the beginning of a national recession. Current indicators in the State economy are mixed. The non-farm employment decreased during the year ending in March 2003, and farm income declined, while personal income increased.

**Seasonally Adjusted Unemployment Rate
Iowa and U.S.**



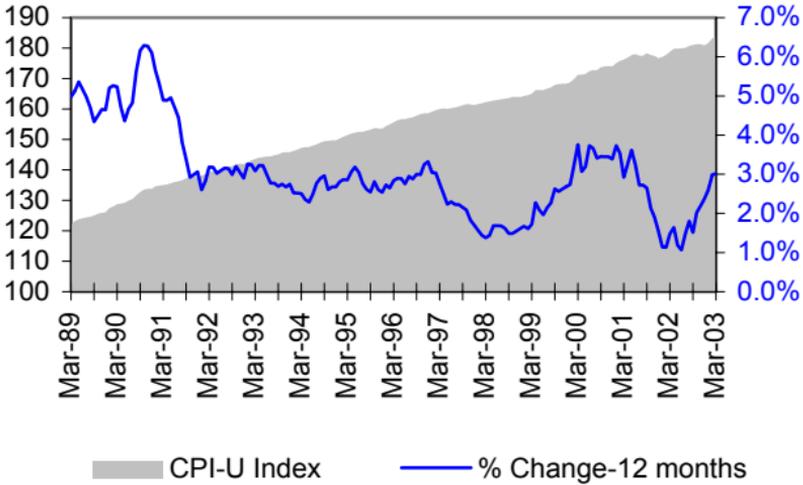
The statewide unemployment rate in March 2003 was 4.0%, which is 0.1% higher than the level from March 2002. In August through October and in December 2002, the State recorded its highest unemployment rate since January 1997 at 3.7%. Iowa's March 2003 unemployment rate is 1.8% lower than the March national unemployment rate (5.8%). Total employment in Iowa was 1,583,100 in March 2003, a decrease of 8,900 compared to March 2002.

Over the same period, the labor force declined by 7,100 employees, thus allowing the unemployment rate to show only a small increase. Only education and health employment and government showed increased employment for the year ending March 2003, increasing by 2.8% and 0.6% respectively. Construction showed the greatest rate of decline with 2.9% fewer jobs than in March 2002. Manufacturing, trade and transportation, and information decreased by more than 2.0%.

ECONOMIC SUMMARY (Contd.)

The Iowa Forecasting Council estimates that aggregate personal income in Iowa increased by 3.4% in 2002 compared to a 6.7% increase in 2001. The Council estimates that farm income will decrease by 13.2% in 2002.

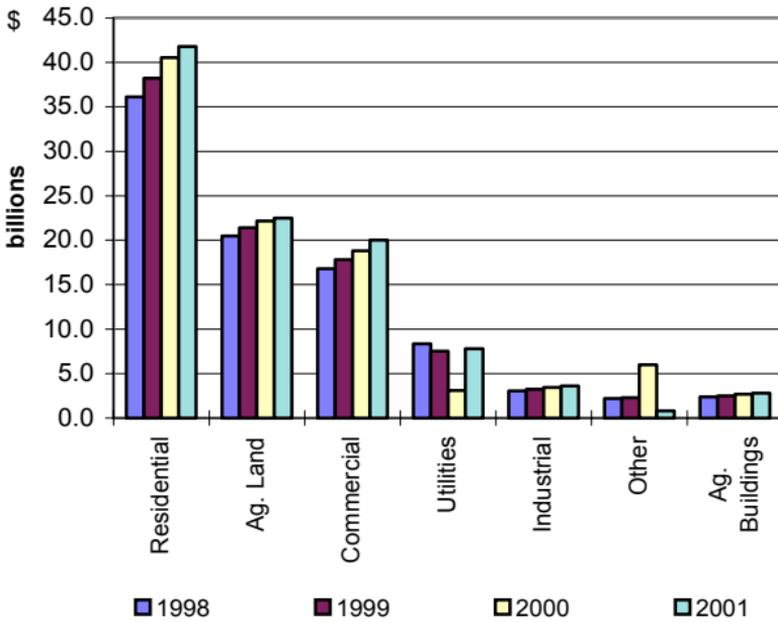
CPI and Annual Percentage Change



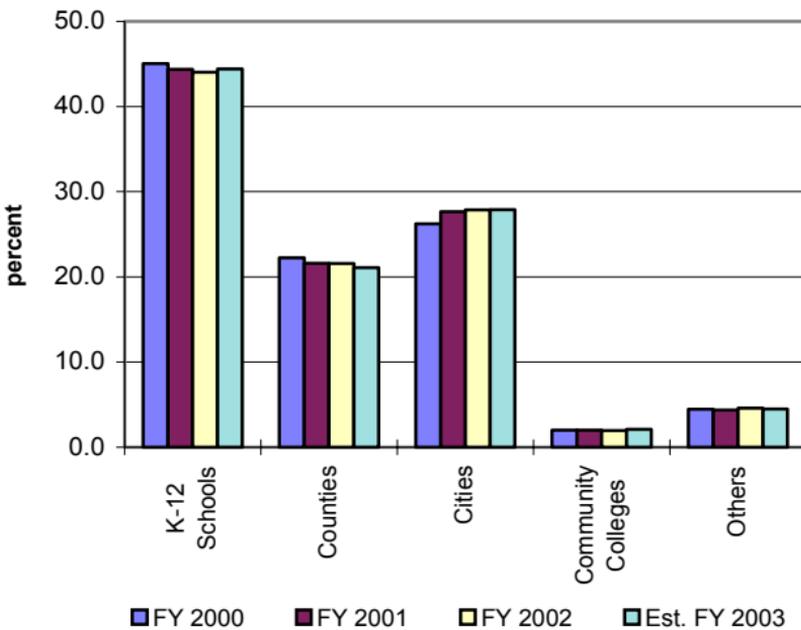
CPI-U = Consumer Price Index - all urban consumers

Consumer prices increased by 3.0% for the March 2002 to March 2003 period. The CPI decreased in December 2002 and did not change in May and November 2002. In the other months, the CPI trended upward.

**DISTRIBUTION OF NET TAXABLE VALUATION
BY CLASS OF PROPERTY***



**PERCENTAGE DISTRIBUTION OF PROPERTY
TAXES BY TAXING AUTHORITY**



*Class of property information is based on an assessment year.

Note:

Between FY 1992 and FY 2003, net taxable valuation in the State increased from \$76.5 billion to \$99.2 billion.

EDUCATION

PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA



The Iowa School Foundation Formula was created between 1970 and 1972, for the school year beginning July 1, 1972. This Formula is a student-driven financing mechanism that works to equalize revenues from State sources and property taxes. The Formula was revised in 1989 to equalize per pupil spending, provide an enrollment cushion (phantom students), increase property tax relief, and provide for increased local discretion. In 1992, further revisions to the Formula included eliminating advanced funding for increasing enrollment, eliminating the enrollment decline cushion (phantom students), and requiring the Governor and General Assembly to establish the allowable growth rate each year, which was previously established by a formula.

In the 1995 Session, the determination of allowable growth was changed again. The General Assembly is required to set allowable growth two years in advance within 30 days of the submission of the Governor's budget.

In FY 2003, the School Foundation Formula provided \$1.784 billion in State aid. This amount included a reduction of \$13.5 million from the amount initially calculated and appropriations of \$1.739 billion from the General Fund, \$25.0 million from the Economic Emergency Fund, and \$20.0 million from wagering revenues. In addition to State aid, the school districts received \$1.017 billion in foundation property taxes. The budget was generated based on a student enrollment of 489,523 and a special education weighting total of 67,181.

The School Foundation Formula is based upon basic enrollment, a school district's regular program cost per pupil, State aid determined by a foundation level, and an amount generated by the uniform property tax levy.

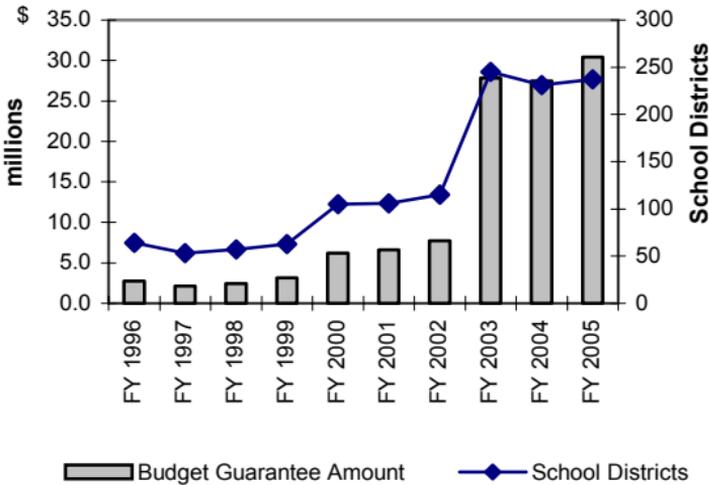
The allowable growth rate for FY 2003 was originally set at 4.0% by the 2001 General Assembly, but was reduced to 1.0% by the 2002 General Assembly. The FY 2004 and FY 2005 allowable growth rates have been set at 2.0%.

PAYING FOR PUBLIC EDUCATION THE IOWA SCHOOL FOUNDATION FORMULA (Contd.)

The 2001 General Assembly reduced the amount of funding that area education agencies (AEAs) were estimated to receive by \$7.5 million in FY 2002. This reduction was continued for FY 2003 and FY 2004. The appropriations reduced the allocation to the AEAs for the Special Education Services Program but allow that funding from the AEAs Media Services Program and the AEAs Educational Services Program be used to maintain the level required for the Special Education Support Services Program.

Schools with declining enrollments receive the budget guarantee so their budgets can remain at the previous year's funding level. Between FY 1996 and FY 1999, fewer than 65 school districts received the budget guarantee. In FY 2000 through FY 2002, over 100 school districts received the budget guarantee, and over the next three years, over 200 school districts will receive the budget guarantee. The budget guarantee costs have grown from \$2.7 million in FY 1996 to \$30.4 million in FY 2005. The following chart depicts those changes.

Budget Guarantee - FY 1996 to FY 2005



**PAYING FOR PUBLIC EDUCATION
THE IOWA SCHOOL FOUNDATION FORMULA
(Contd.)**

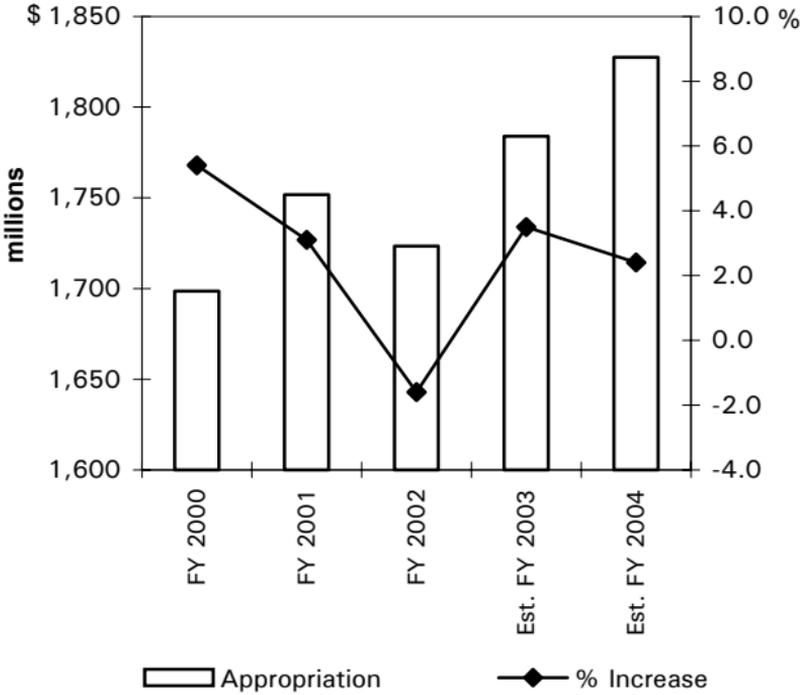
The budget guarantee was changed during the 2001 Legislative Session so that beginning in FY 2005 it is no longer based on providing 100.0% of the total regular program district cost. In FY 2005 and future years, school districts with declining enrollment will be eligible for one of two options. They may receive:

- 101.1% budget adjustment that is based on the previous year's regular program district costs without any previous adjustment.
- 90.0% budget guarantee that is based on the FY 2004 total regular program district costs. This percentage will be scaled back 10.0% each year until 2014. Only districts that receive this option in FY 2005 will be eligible to receive this budget guarantee in future years.

Other funding sources available to school districts on an optional basis in the general education fund area include drop out prevention programs, School Budget Review Committee authorizations, instructional support levy, cash reserve levy, management levy, and enrichment levy.

Local school districts have a number of optional funding sources available for non-general education fund activities. These levies are used for building construction, building maintenance, equipment purchases, and certain operational expenditures. These include the debt service levy, schoolhouse property tax levy, physical plant and equipment levy, and the educational and recreation levy.

**APPROPRIATIONS
FOR K-12 STATE AID
FY 2000 - ESTIMATED FY 2004**



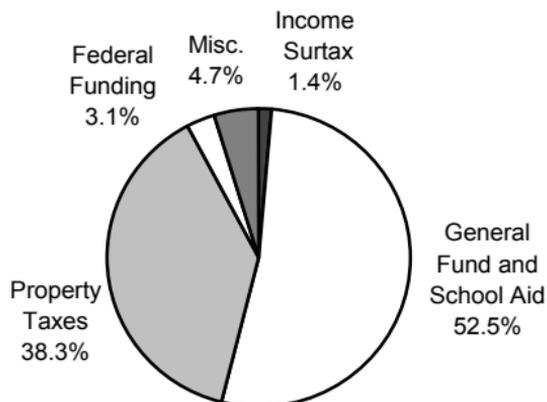
	Appropriations	Increase	Percent Increase
FY 1995	\$ 1,266,219,943	\$ 34,553,631	2.8%
FY 1996	1,330,908,172	64,688,229	5.1%
FY 1997	1,489,170,713	158,262,541	11.9%
FY 1998	1,558,251,824	69,081,111	4.6%
FY 1999	1,611,592,518	53,340,694	3.4%
FY 2000	1,698,459,679	86,867,161	5.4%
FY 2001	1,751,721,662	53,261,983	3.1%
FY 2002	1,723,456,441	- 28,265,221	- 1.6%
Est. FY 2003	1,784,090,498	60,634,057	3.5%
Est. FY 2004	1,827,537,551	43,447,053	2.4%

Percentage increase FY 1999 - estimated FY 2004 13.4%
 Five-year average annual increase 2.7%

Note:

FY 2002 and FY 2003 include \$45.0 million appropriated from other funds.

**K-12 SCHOOL DISTRICTS' REVENUE
Estimated FY 2003
(\$ in millions)**



	Amount	Percent of Total
General Fund and School Aid	\$ 1,947.3	52.5%
Property Taxes	1,421.5	38.3%
Federal Funding	114.8	3.1%
Income Surtax	54.3	1.4%
Miscellaneous	173.9	4.7%
Total	\$ 3,711.8	100.0%

Notes:

- 1) Approximately 75.5% of the revenue for K-12 school districts is derived through the basic funding formula.
- 2) Fiscal Year 2003 school aid includes a \$25.0 million appropriation from the Economic Emergency Fund and a \$20.0 million appropriation from wagering revenues.

**K-12 SOURCE OF FUNDS
ESTIMATED FY 2003 BUDGET DETAIL
(\$ in millions)**

<u>Source of Funds</u>	<u>Amount</u>	<u>Percent</u>	<u># of Districts</u>
Combined District Cost			
Regular Program	\$ 2,243.1	60.4%	371
Guarantee Amount	27.8	0.7%	245
Supplementary Weights	24.5	0.7%	371
Special Education	307.9	8.3%	371
AEA Media	19.7	0.5%	371
AEA Education Services	21.8	0.6%	371
AEA Special Education	112.4	3.0%	371
AEA Reduction	- 7.5	-0.2%	371
Dropout SBRC	51.9	1.5%	236
Other SBRC	0.0	0.0%	0
Enrollment Adjustment	- 0.3	0.0%	46
Total Combined District Cost	\$ 2,801.3	75.5%	
Other Taxes and Misc. Income			
Instructional Support	\$ 129.8	3.5%	313
Educational Improvement	0.8	0.0%	5
Physical Plant and Equipment	103.7	2.8%	370
School House Levy	0.7	0.0%	3
Management Levy	61.9	1.7%	363
Ed. and Rec. (Playground)	1.7	0.0%	22
Bonds/Debt Service	105.5	2.8%	214
Other State Appropriations	163.3	4.4%	371
Federal Funding - Estimated	114.8	3.1%	371
Miscellaneous - Estimated	228.3	6.2%	371
Total Other Taxes	\$ 910.5	24.5%	
Total Budget	\$ 3,711.8	100.0%	

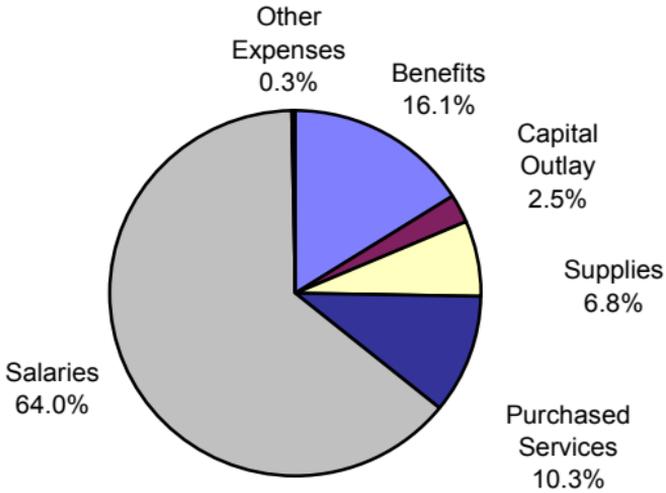
Note:

Totals may not add due to rounding.

AEA = Area Education Agency

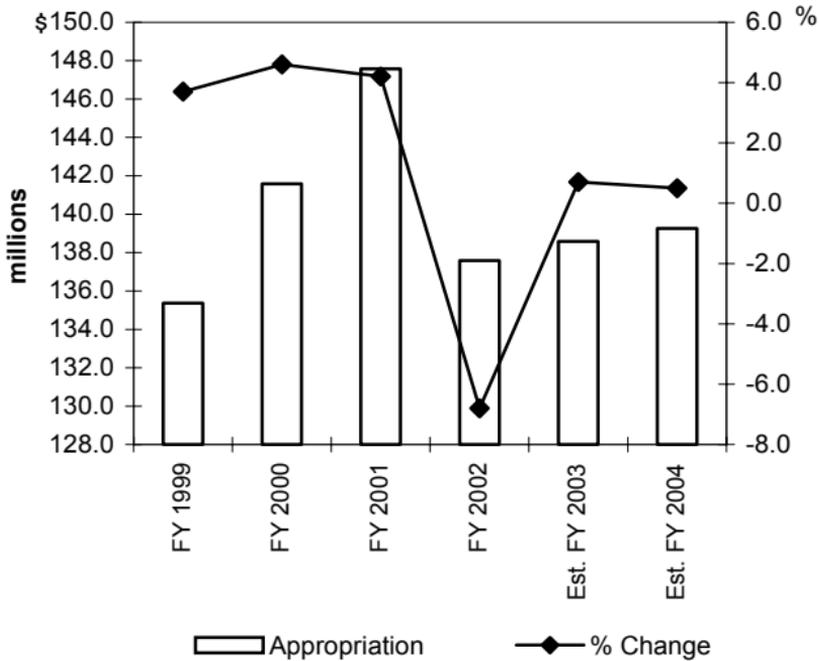
SBRC = School Budget Review Committee

**AVERAGE EXPENSES OF AN
IOWA SCHOOL YEAR
2000 - 2001**



- From FY 1986 to FY 2001, expenditures for salaries decreased by 4.1 percentage points and expenditures for benefits increased 3.2 percentage points as a percentage of total operating fund expenditures.
- Statewide average administrative expenditures for FY 2001 are 9.5% of total operating fund expenditures. This is a decrease from 10.2% in FY 1986.

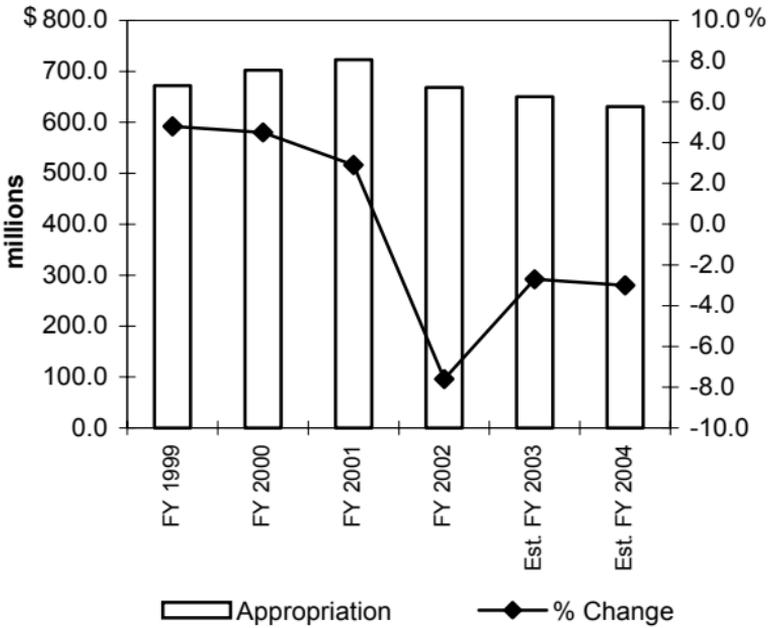
**GENERAL FUND APPROPRIATIONS
FOR COMMUNITY COLLEGES
FY 1999 - FY 2004**



	<u>Appropriations</u>	<u>Change</u>	<u>Percent Change</u>
FY 1999	\$ 135,366,156	\$ 4,784,105	3.7%
FY 2000	141,577,403	6,211,247	4.6%
FY 2001	147,577,403	6,000,000	4.2%
FY 2002	137,585,680	-9,991,723	-6.8%
Est. FY 2003	138,585,680	1,000,000	0.7%
Est. FY 2004*	139,260,763	675,083	0.5%
Percentage increase FY 1999 - estimated FY 2004			2.9%
Five-year average annual increase			0.6%

*For FY 2004, community colleges received supplemental funds of \$762,000 carried forward from an FY 2003 appropriation to the Student Achievement and Teacher Quality Program. Total State general aid to community colleges for FY 2004 is \$140,022,763, an increase of \$1,437,083 (1.0%) compared to estimated net FY 2003.

**GENERAL FUND APPROPRIATIONS
FOR REGENTS INSTITUTIONS
FY 1999 - FY 2004**

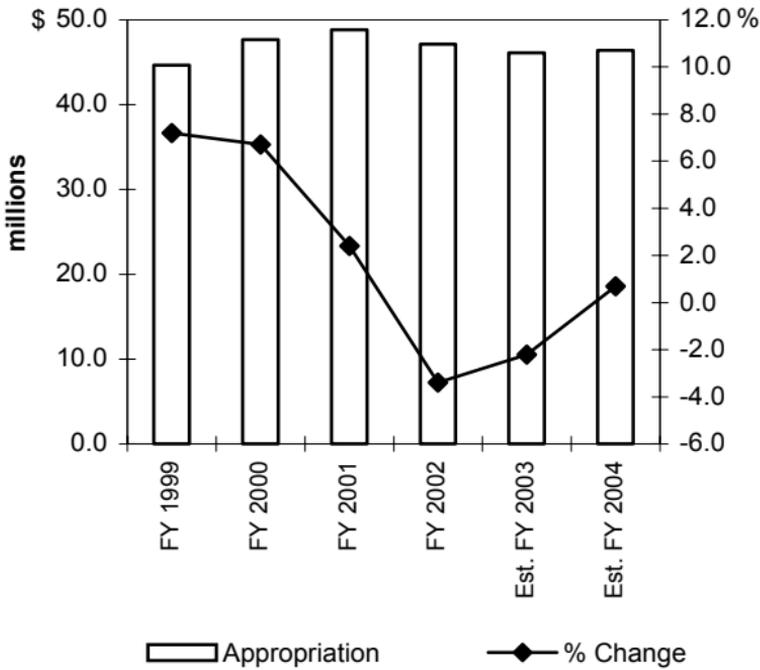


	Appropriations	Change	Percent Change
FY 1999	\$ 671,948,128	\$ 30,658,738	4.8%
FY 2000	702,456,884	30,508,756	4.5%
FY 2001	722,953,183	20,496,299	2.9%
FY 2002	668,307,764	- 54,645,419	- 7.6%
Est. FY 2003	649,992,851	- 18,314,913	- 2.7%
Est. FY 2004	630,711,305	- 19,281,546	- 3.0%
Percentage change FY 1999 - estimated FY 2004			- 6.1%
Five-year average annual change			- 1.2%

Notes:

- 1) Includes appropriations made by the Economic Development Subcommittee.
- 2) Total for FY 2002 includes \$600,330 appropriation from tobacco funds for tuition replacement and \$9.0 million appropriation from the Underground Storage Tank Fund for salaries.
- 3) Total for FY 2003 includes \$26.0 million appropriation from tobacco funds for tuition replacement and \$25.0 million appropriation from Principal demutualization proceeds for salaries.
- 4) Total for FY 2004 includes \$11.0 million from tobacco funds and the Rebuild Iowa Infrastructure Fund for tuition replacement.

**GENERAL FUND APPROPRIATIONS
FOR TUITION GRANTS
FY 1999 - FY 2004**



	<u>Appropriations</u>	<u>Change</u>	<u>Percent Change</u>
FY 1999	\$ 44,664,750	\$ 3,000,000	7.2%
FY 2000	47,664,750	3,000,000	6.7%
FY 2001	48,830,075	1,165,325	2.4%
FY 2002	47,155,382	- 1,674,693	- 3.4%
Est. FY 2003	46,117,964	- 1,037,418	- 2.2%
Est. FY 2004	46,417,964	300,000	0.7%
Percentage increase FY 1999 - estimated FY 2004			3.9%
Five-year average annual increase			0.8%

**REGENTS ENROLLMENTS AND TUITION DATA
HISTORICAL COMPARISON**

	Total Enrollments		
	FY 1998	FY 2003	% Change
SUI	27,871	29,697	6.6%
ISU	25,384	27,898	9.9%
UNI	13,108	13,926	6.2%
Total	66,363	71,521	7.8%

	Annual Undergraduate Resident Base Tuition		
	FY 1998	FY 2003	% Change
SUI	\$ 2,566	\$ 3,692	43.9%
ISU	2,566	3,692	43.9%
UNI	2,566	3,692	43.9%

	Annual Undergraduate Nonresident Base Tuition		
	FY 1998	FY 2003	% Change
SUI	\$ 9,422	\$ 13,334	41.5%
ISU	8,608	12,384	43.9%
UNI	6,950	10,000	43.9%

SUI = University of Iowa

ISU = Iowa State University

UNI = University of Northern Iowa

Note:

Approximately 72.0% of all students enrolled at Regents Universities are residents of Iowa.

**HEALTH AND HUMAN
SERVICES**

**DEPARTMENT OF HUMAN SERVICES
PROGRAMS**

The Department of Human Services is projected to spend \$2.5 billion combined for all programs, including Medical Assistance, the Family Investment Program, and the Food Stamp Program during FY 2004 (all funding sources). Federal funding is projected to account for \$1.611 billion, or 57.1% of these expenditures. Senior Living Trust Fund appropriations are \$153.3 million, or 6.1%. State General Fund appropriations are \$713.7 million, or 28.3%. The Medical Assistance Program is projected to serve a total of 274,000 individuals during FY 2004. The Family Investment Program is projected to serve an average of 51,500 individuals each month. The Food Stamp Program is projected to serve an average of 152,100 individuals each month during FY 2004.

The Family Investment Program (FIP) provides direct cash grant assistance to needy families in which the children are deprived of parental care or support due to absence, death, incapacity, or unemployment of one or both parents. In FY 1997, the federal government began to block grant \$131.5 million to Iowa annually from the Temporary Assistance for Needy Families (TANF) Block Grant. Revenues from child support recoveries also finance the Program. The Program was created in FY 1994 as part of a welfare reform effort that changed the structure and benefits of the previous Aid to Families with Dependent Children (AFDC) Program in order to reduce economic disincentives to employment.

The Food Stamp Program is a federally funded program administered by the U.S. Department of Agriculture which has the goal of preventing hunger and malnutrition. Recipients of the Family Investment Program are automatically eligible for food stamps. Individuals or families may also qualify for food stamps without receiving Family Investment Program benefits.

The Child Support Recovery Unit is responsible for collecting child support for families receiving FIP benefits and other families requesting assistance. Other activities include establishing paternity and child and medical support orders, locating absent parents, and reviewing and adjusting support orders upon the request of either parent.

**DEPARTMENT OF HUMAN SERVICES
PROGRAMS (Contd.)**

The Medical Assistance Program pays for low-income aged, blind, and disabled citizens, residents of institutions, and other low-income lowans who meet certain criteria. Federal law requires coverage of specified services and eligibility groups. In addition, the State of Iowa is currently covering most of the optional services and eligibility groups for which federal matching funds are available.

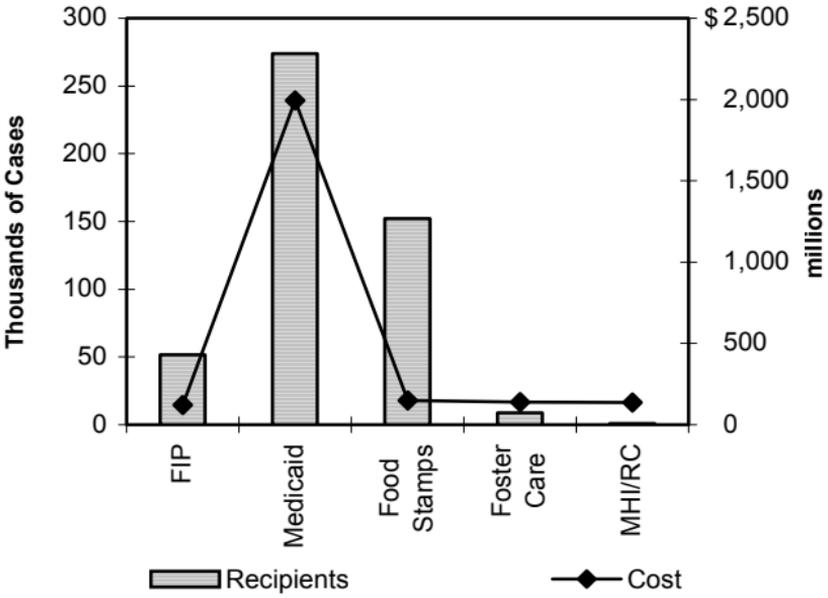
The State Children's Health Insurance Program began in FY 1999, including an expansion of Medical Assistance eligibility for children to 133.0% of the federal poverty level and coverage up to 185.0% of the federal poverty level in the Healthy and Well Kids in Iowa (hawk-i) using private insurance coverage. The Tobacco Fund Appropriations Act for FY 2001 (HF 2555) expanded income eligibility guidelines to 200.0% of the Federal Poverty Level.

The Foster Care Program provides 24-hour temporary care for children unable to remain in their own homes, while offering services to families and children in order to implement plans for permanent placement.

There are four Mental Health Institutes for the mentally ill, located at Clarinda, Independence, Mt. Pleasant, and Cherokee. These Institutes provide a range of psychiatric and substance abuse services in an inpatient residential setting for those cases that community-based services cannot handle. The Institutes also provide limited outpatient services. Two of the Institutes, Clarinda and Mt. Pleasant, share campuses and selected support resources with adult correctional facilities operated by the Department of Corrections.

There are two Resource Centers which provide for the mentally retarded, located at Glenwood and Woodward. These Resource Centers provide diagnostic evaluation, treatment, training, care, rehabilitation, and support of mentally retarded persons. The Resource Centers also serve as the locations for various entities within the respective geographic areas which provide a wide variety of services to the area.

DEPARTMENT OF HUMAN SERVICES
FY 2004 MAJOR PROGRAMS



	Average Monthly Recipients Per Program	Total Program Cost
FIP	51,500	\$ 122,239,228
Medicaid	274,000	1,993,513,020
Food Stamps	152,100	149,449,472
Foster Care*	8,732	138,339,413
MHI/RC**	979	135,981,248

* Foster Care includes group foster care, foster family care, and subsidized adoptions.

** Based on Average Daily Census.

Note:

The number of recipients per program may be overestimated. Recipients may participate in more than one program causing the number of cases shown here to be inflated.

FIP = Family Investment Program

MHI/RC = Mental Health Institutes/Resource Centers

TOTAL MEDICAL ASSISTANCE SPENDING
FY 2002 - FY 2004
(\$ in millions)

Category	Actual FY 2002	Est. FY 2003	Est. FY 2004
Inpatient*	\$ 206.2	\$ 240.0	\$ 222.4
Outpatient*	89.5	136.0	101.8
NF-Excluding MR*	387.5	420.0	414.2
NF-MR	207.3	205.9	212.4
Physicians Services*	92.4	134.4	106.3
Lab & X-ray Services*	2.1	1.8	2.4
Ambulance Services	1.6	2.0	2.0
Prescribed Drugs	264.6	387.3	354.1
HMO*	102.2	109.8	112.8
Medical Supplies	24.8	29.2	27.1
Dental Services	34.0	43.6	35.5
Optometric Services	5.2	6.1	6.7
Iowa Plan*	79.5	84.9	97.4
Waiver Services**	151.6	171.5	201.7
Other	370.6	135.2	103.2
Total	\$ 2,019.1	\$ 2,107.7	\$ 2,000.0

* Mandatory Services.

** Waiver Services - Mentally ill and handicapped waiver, AIDS waiver, brain injury waiver, mentally retarded waiver, elderly waiver, physical disabilities waiver, and home health.

Note:

Dollars include federal, State, and county dollars.

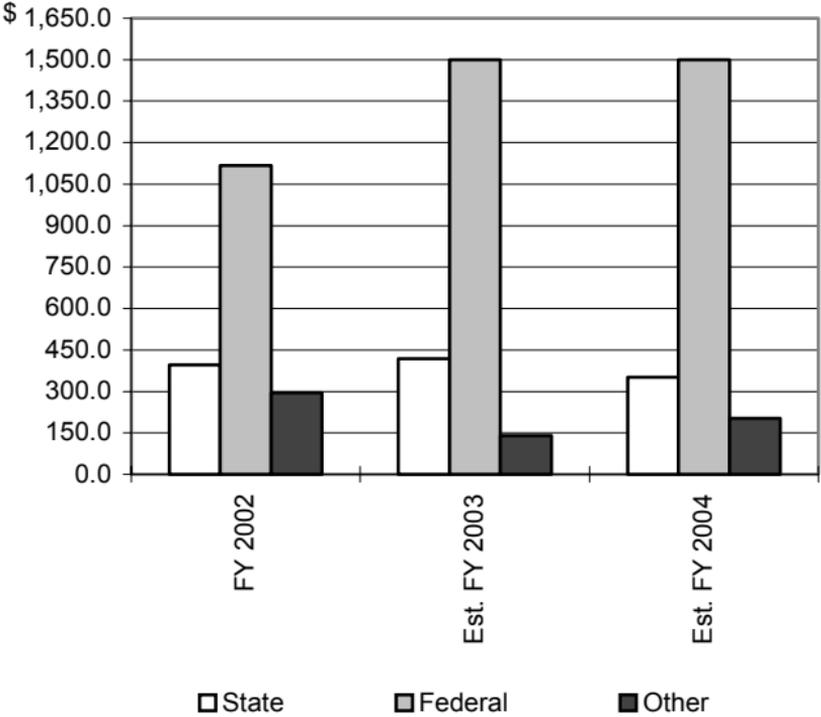
AIDS = Acquired Immune Deficiency Syndrome

NF = Nursing Facility

HMO = Health Maintenance Organization

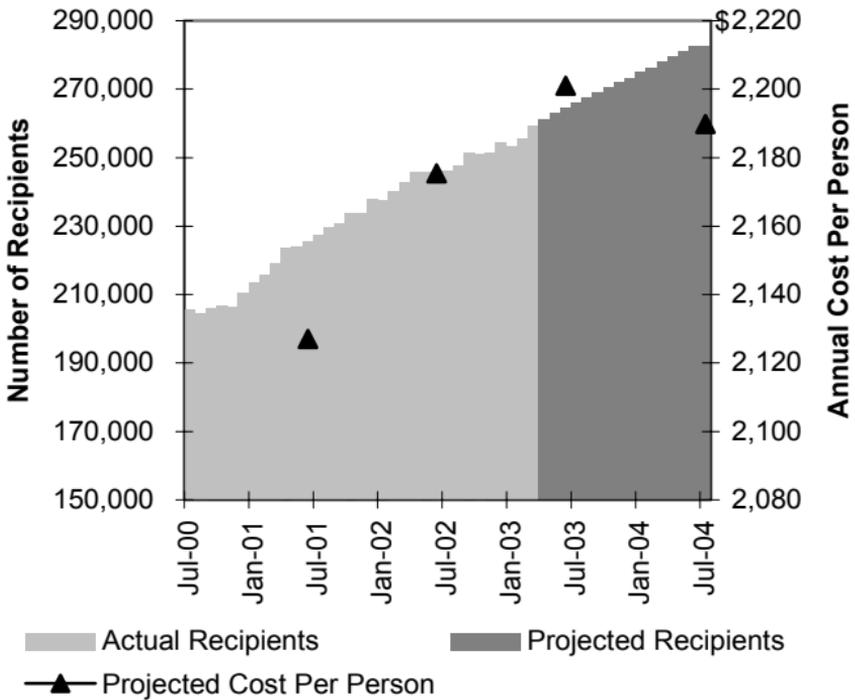
MR = Mentally Retarded

**TOTAL MEDICAL ASSISTANCE SPENDING (Contd.)
FY 2002 - FY 2004
(\$ in millions)**



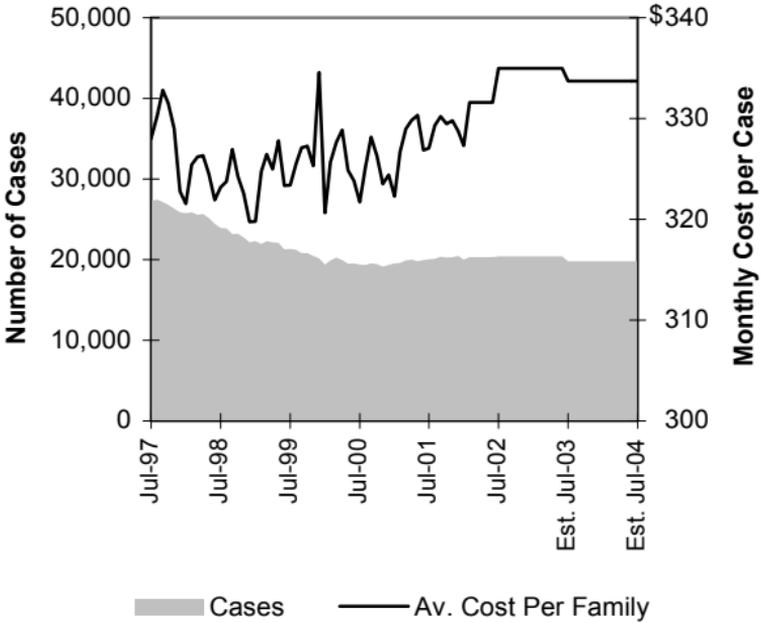
- House File 619 (Medicaid Cost Containment Act) enacts programmatic changes in the Medical Assistance Program to contain the growth in the Program. As a result, total State expenditures for Medicaid are estimated to decrease by \$3.7 million (0.7%) from FY 2003 to FY 2004.
- The federal government matches State spending of 36.1% with 63.9% of federal spending for FY 2004.

MEDICAL ASSISTANCE PROGRAM CASELOAD AND COST PER CASE



- Medical Assistance (Medicaid) Program enrollment is estimated to increase by 7.3% in FY 2003 and 7.6% in FY 2004.
- The FY 2004 projections do not include the changes enacted in HF 619 (Medicaid Cost Containment Act).

**FAMILY INVESTMENT PROGRAM
CASELOAD AND COST PER CASE**



- Total caseload for the Family Investment Program has declined from a high of 40,659 in April 1994 to an estimated FY 2004 caseload of 19,806. This is a decrease of 20,853 cases (51.3%).
- Cost per case has declined from a high of \$377.27 per month in September 1991 to an estimated FY 2004 cost per case of \$333.70. This is a decrease of \$43.57 per month (11.5%).

CHILDREN'S HEALTH INSURANCE (CHIP) PROGRAM

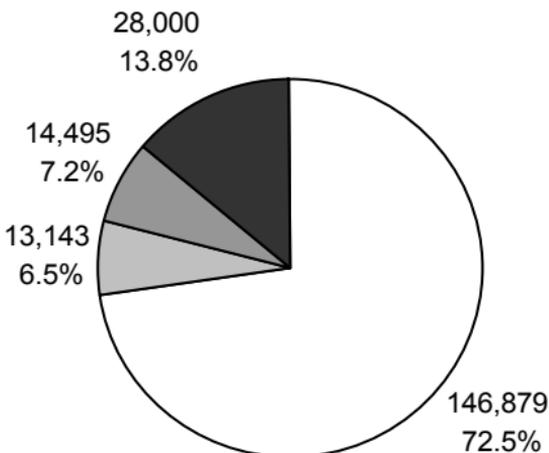
Congress enacted the Children's Health Insurance Program, with federal funds available on October 1, 1997, to provide insurance for children in families with incomes up to 200.0% of the Federal Poverty Level (FPL).

House File 667 (FY 2004 Health and Human Services Appropriations Act) appropriates \$11.1 million from the General Fund and \$4.0 million from the Healthy and Well Kids in Iowa (*hawk-i*) Trust Fund to provide Iowa's match for \$63.0 million in federal funds.

The *hawk-i* Program was enacted in 1998, establishing a private insurance program for children in families with incomes between 133.0% and 185.0% of the FPL. The Program was implemented January 1, 1999, through a managed care plan offered in 16 counties. The Program was expanded statewide through an indemnity plan on March 1, 1999. Statewide coverage is provided by two managed care plans and one indemnity plan. The Program was expanded to 200.0% of the FPL in FY 2003.

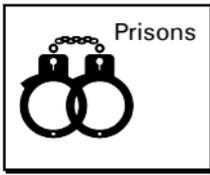
The Bureau of Census estimates 28,000 (3.7%) uninsured children in the State are at or below the 200.0% FPL. As of March 2003, 27,638 children were enrolled in the *hawk-i* Program.

Children Below 200.0% FPL



Medicaid
 hawk-i Medicaid Expansion
 hawk-i
 Uninsured

CRIME/ENFORCEMENT

PRISONS/CORRECTIONS

Iowa began expanding the 3,603-bed Prison System in FY 1995. The table on the next page details the prison expansion. Each 750-bed medium-security prison costs approximately \$45.0 million to construct and \$28.0 million per year to operate.

During the 1997 Session, the General Assembly approved a 232-bed expansion at the Mitchellville women's prison. During the 1998 Session, the General Assembly approved a 200-bed special needs maximum-security cellhouse at Ft. Madison, the conversion of 100 Department of Human Services beds at Mt. Pleasant to special needs women's prison beds, and two 200-bed cellhouses at Ft. Dodge. During the 1999 Session, the General Assembly approved a 170-bed expansion to the Oakdale institution to treat offenders requiring continued medical and mental health care. During the 2003 First Extraordinary Session, the General Assembly approved renovating existing space to add 38 beds at the Luster Heights Prison Camp and 225 beds at the Clarinda Correctional Facility. In addition to the new construction, the Department of Corrections has modified its calculation of design capacity. Given these changes and construction, the Prison System will have a total capacity of 7,405 beds upon completion.

During FY 2002, the prison population remained relatively stable and was at 8,172 inmates in June 2002. The prison population increased in FY 2003, and reached a record high count of 8,549 inmates on March 3, 2003. The Criminal and Juvenile Justice Planning Division has projected that the inmate population will grow to 12,127 inmates by the end of FY 2012, given current correctional policies and practices.

With the addition of the new prison beds, modification of the design capacity calculation, and the increase in the inmate population, overcrowding was 123.0% in May 2003. The prison population is projected to increase to 9,025 by the end of FY 2004, which, with the addition of the approved prison beds, will be 125.4% of total capacity. By the end of FY 2012, the prison population is projected to increase to 12,127 inmates, which will be 163.8% of capacity.

PRISONS/CORRECTIONS (Contd.)

Prison Expansion FY 1996 - FY 2007

Location	No. of Beds	Opening Date
Clarinda	750 *	April 1996
Newton	750	July 1997
Ft. Dodge	750	April 1998
Mt. Pleasant	100 **	April 1999
Mitchellville	232	April 2000
Ft. Dodge	400	February 2000
Ft. Madison	200 ***	August 2002
Oakdale	170	July 2006
Luster Heights	38	July 2003
Clarinda	225	May 2004

* Replaced the 152-bed facility.

** Conversion of Department of Human Services beds to special needs women's prison beds.

*** The 200-bed Clinical Care Unit opened in three phases during FY 2003, with the final 80 beds scheduled to open in June 2003.

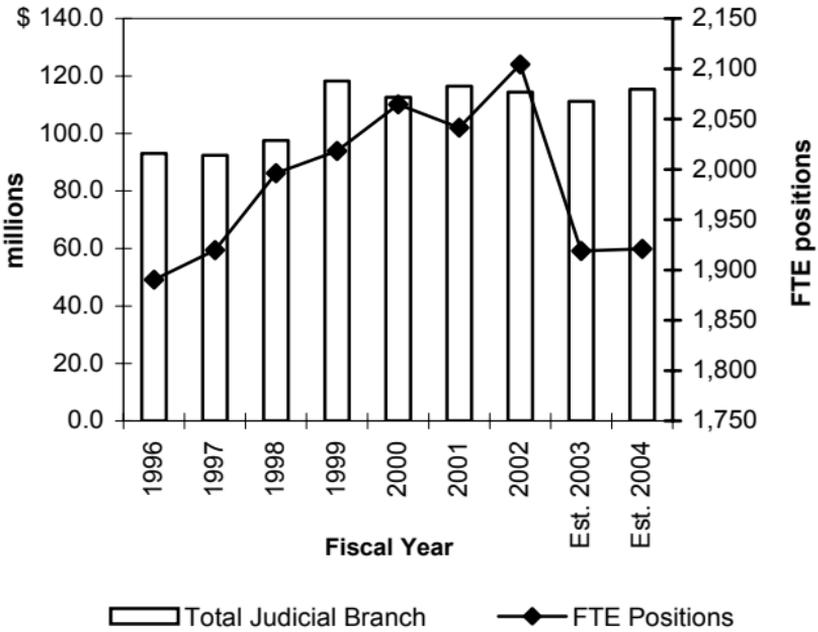
PRISON POPULATION FACTS

The State prisons were operating at 123.0% of current designed capacity on May 30, 2003, with a prison population of 8,382 offenders. Current designed capacity is 6,812 beds. Designed capacity will increase to 7,405 beds by FY 2007 when the Clinical Care Unit at Fort Madison (200 beds) is fully operational in June 2003, the 38-bed addition at the Luster Heights Prison Camp opens in July 2003, the 225 beds at Clarinda open in May 2004, and the 170-bed Special Needs Unit at Oakdale is constructed and operating (FY 2007). The State prison budget is based on 7,600 inmates; the current system is operating at 110.3% of budgeted capacity.

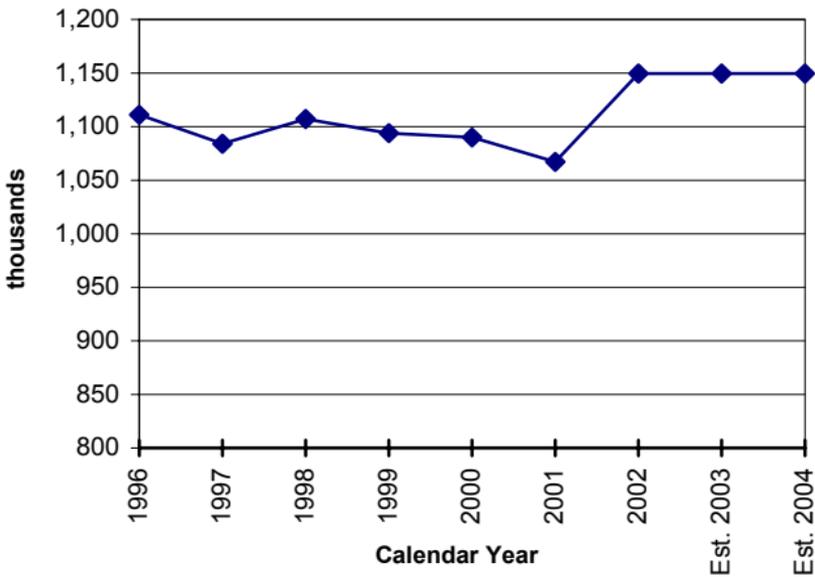
The Criminal and Juvenile Justice Planning Division in the Department of Human Rights released its prison population forecast in December 2002. The report stated that by FY 2012, the prison population is expected to reach 12,127 offenders if there are no changes to offender behavior, and justice system policies, trends, and practices remain unchanged.

If the prison population reaches 12,127 offenders, five new prisons will need to be built over the next ten years. Construction cost per prison is estimated to be \$45.0 million, and annual operating costs are approximately \$28.0 million. If five new 750-bed prisons are built, total construction costs are estimated to be \$225.0 million and annual operating costs are estimated to be \$140.0 million. If the prison population reaches 12,127 offenders and five new prisons are built, designed capacity would be 11,155 beds, and the prisons would be operating at 108.7% of designed capacity.

**JUDICIAL BRANCH
APPROPRIATIONS AND FTE POSITIONS
FY 1996 - FY 2004**

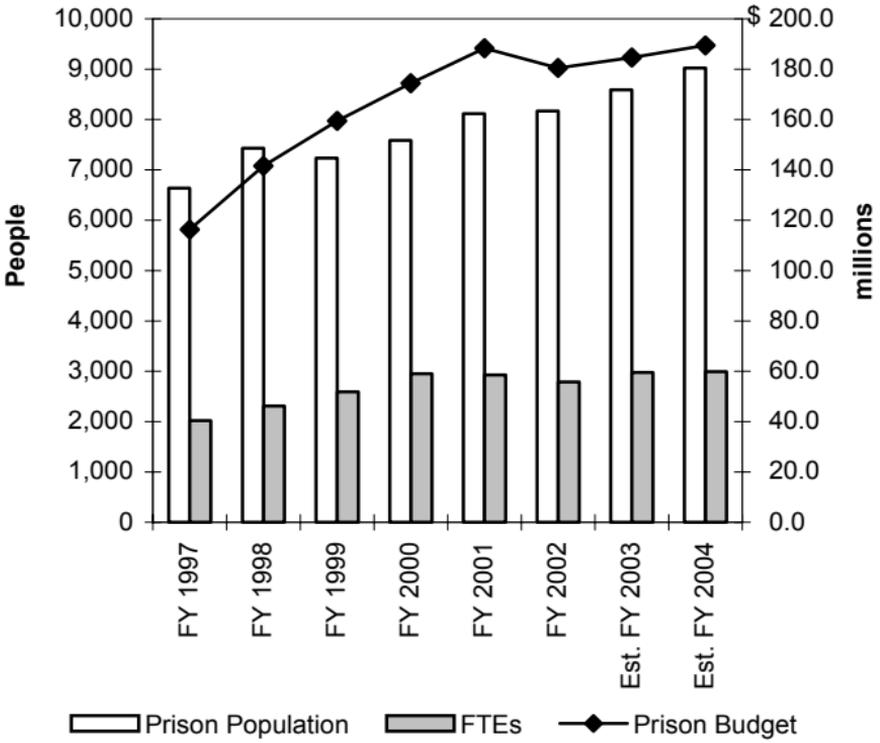


**COURT CASE FILINGS
CY 1996 - CY 2004**

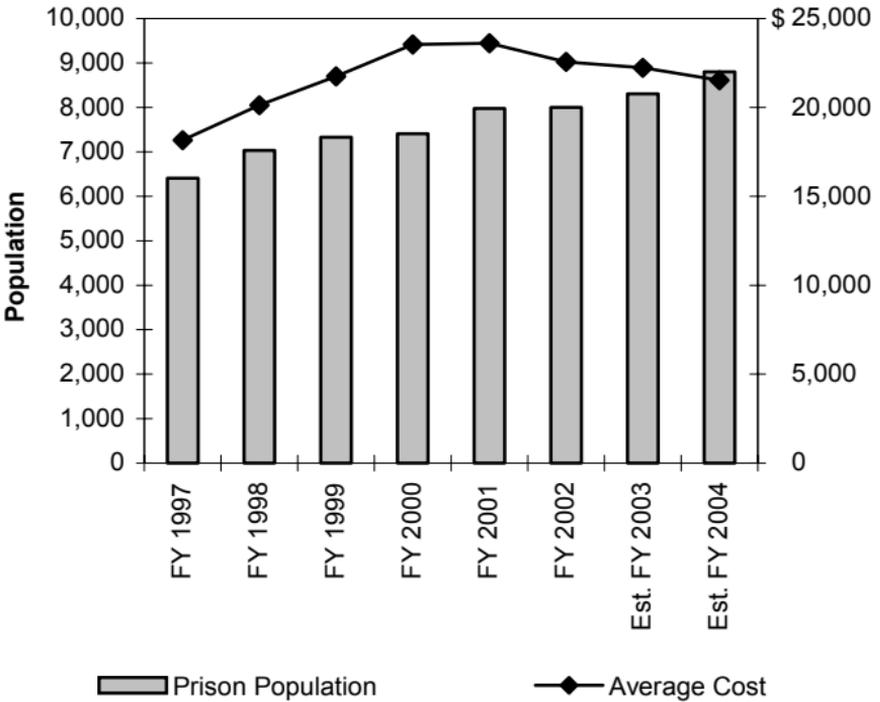


CY = Calendar Year

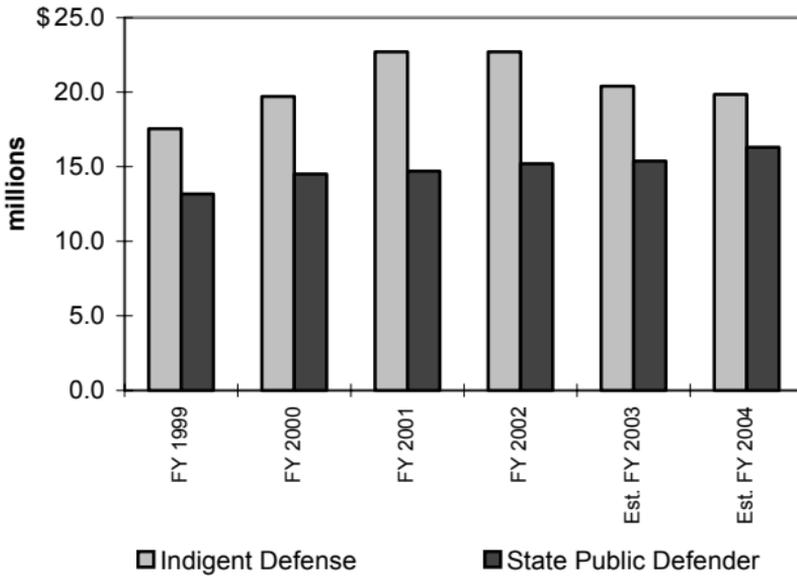
YEAR-END PRISON POPULATION, STAFFING, AND BUDGET



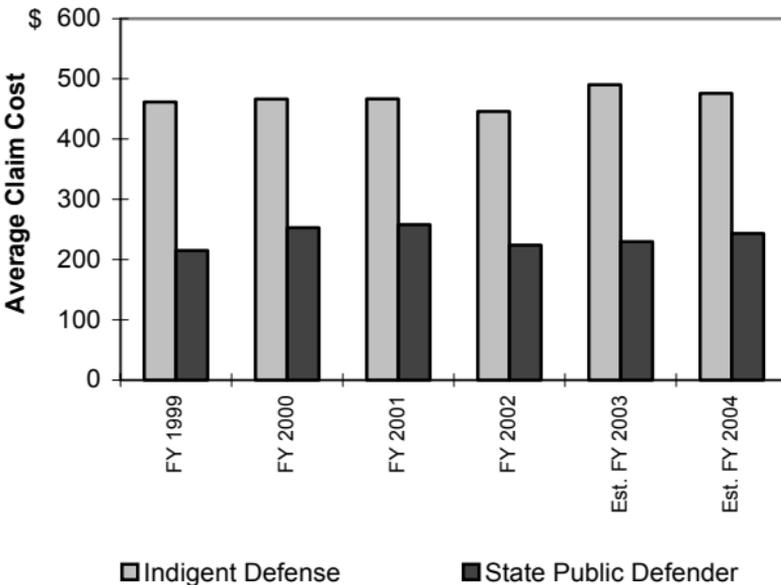
AVERAGE PRISON POPULATION AND AVERAGE COST PER PRISONER



**INDIGENT DEFENSE AND STATE PUBLIC DEFENDER EXPENDITURES
FY 1999 - FY 2004**



**INDIGENT DEFENSE AND STATE PUBLIC DEFENDER COSTS PER CLAIM
FY 1999 - FY 2004**



Notes:

- 1) Costs for juvenile cases are included for the State Public Defender and for Indigent Defense.
- 2) Senate File 36 (FY 2003 Non-Medicaid Supplemental Appropriations Act) provided a FY 2003 supplemental appropriation of \$2.3 million to Indigent Defense from the General Fund.

TRANSPORTATION

ROAD USE TAX FUND



The Road Use Tax Fund is comprised of revenue sources which include taxes on fuels; fees collected on vehicle registrations, titles, and driver licenses; and use tax collected on motor vehicle purchases and related equipment.

Except for administrative costs, all vehicle registration fees, license fees, and motor vehicle fuel taxes are constitutionally mandated to be spent exclusively for the construction, maintenance, and supervision of the State's public highways (Section 8, Article VII, Constitution of the State of Iowa). However, the use tax on motor vehicles and equipment is exempt from the constitutional mandate.

A portion of the Road Use Tax Fund revenues is appropriated either through standing appropriations established in the Code of Iowa, or through the annual appropriations process. These expenditures are referred to as "off-the-top" allocations, and are used to fund programs, equipment purchases, and department operations. The following table shows actual and estimated Road Use Tax Fund revenues and allocations for FY 2002 through FY 2004.

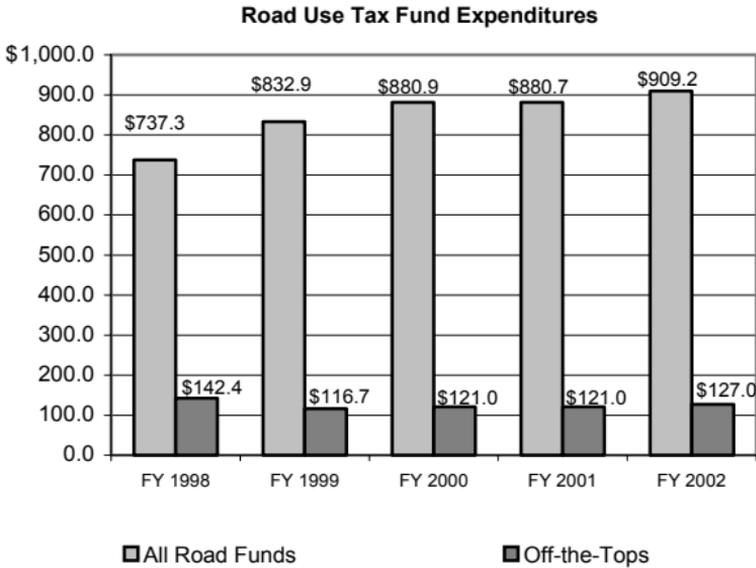
ROAD USE TAX FUND
(\$ in millions)

	Actual FY 2002	Estimated FY 2003	Estimated FY 2004
Revenues			
Fuel Tax	\$ 399.0	\$ 398.2	\$ 400.3
Registration Fees	358.3	367.3	371.7
Use Tax	231.4	230.7	232.1
Underground Tank Fees	19.4	19.2	19.2
Driver's License Fees	8.4	10.2	13.4
Interest	8.7	8.9	8.8
Other	10.9	11.0	11.0
Total	\$1,036.1	\$1,045.5	\$1,056.5
Allocations			
Primary Road Fund	\$ 431.9	\$ 434.3	\$ 439.0
Secondary Road Fund	222.7	224.0	226.5
Farm-to-Market Road Fund	72.7	73.2	74.0
Municipal Road Fund	181.8	182.9	184.9
Statutory Allocations	87.1	87.1	87.4
Appropriations	39.9	44.0	44.7
Total	\$1,036.1	\$1,045.5	\$1,056.5

ROAD USE TAX FUND (Contd.)

The following chart shows the comparison between the funds distributed by formula to the State, city, and county road funds and total off-the-top allocations.

Road Use Tax Fund Expenditures



Transfer of Road Jurisdictions

In 2003, the General Assembly passed SF 451 (FY 2004 Road Jurisdiction and Funding Act). Beginning in FY 2004, the Act transfers the jurisdiction of certain roads, and transfers funds with those roads as follows:

- Effective FY 2004, the jurisdiction and control of approximately 700 miles of primary (State) roads, classified as Local Service Roads, will be transferred to cities and counties.
- From FY 2004 to FY 2013, 1.75% (approximately \$7.6 million) of Primary Road Fund moneys will be transferred annually to a Transfer of Jurisdiction Fund. The allocation will be distributed as follows:
 - 75.0% (approximately \$5.7 million) to counties and cities that assume jurisdiction of primary roads.
 - 22.5% (approximately \$12.7 million) to the Secondary Road Fund of all Counties.
 - 2.5% (approximately \$200,000) to the Street Construction (Municipal Road) Fund of all cities.

ROAD USE TAX FUND (Contd.)

- In FY 2014 and beyond, the Transfer of Jurisdiction Fund will be eliminated, and the 1.75% (approximately \$7.6 million) of Primary Road Fund moneys will be distributed to all cities and counties as follows:
 - 1.575% (approximately \$6.8 million) to the Secondary Road Fund.
 - 0.175% (approximately \$760,000) to the Street Construction Fund.
- In FY 2005, jurisdiction and control of approximately 360 miles of farm-to-market road extensions in cities with a population of less than 500 will be transferred to the respective counties.
- Effective FY 2005, a portion of the Street Construction Fund from cities that transferred jurisdiction of farm-to-market extensions to counties (approximately \$2.0 million) will be transferred to the respective counties.

The following table shows estimated Road Use Tax Fund appropriations the State, cities, and counties will receive in FY 2004 and thereafter under SF 451.

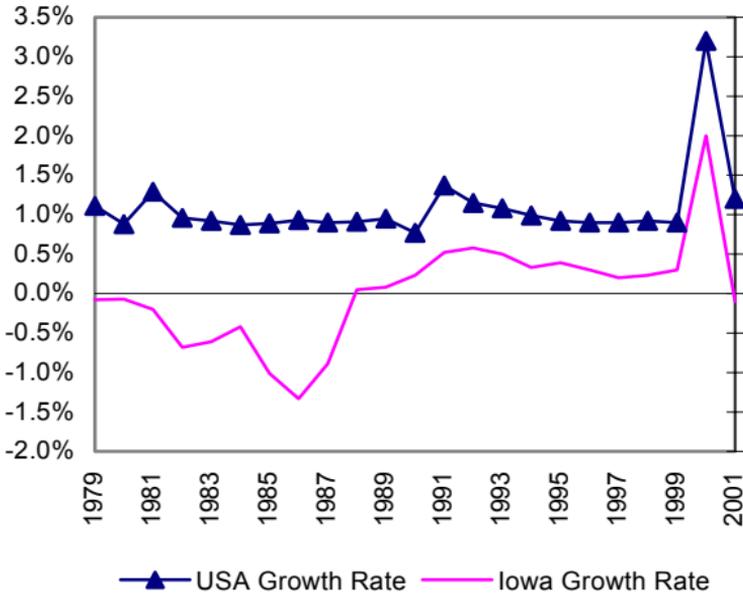
Transfer of Jurisdictions
Road Use Tax Fund Appropriations to State, Cities, and Counties
 (\$ in Millions)

<u>Appropriations</u>	<u>Amount Appropriated Under SF 451</u>	
	FY 2004 to FY 2013	FY 2014 & Beyond
Primary Road Fund		
State Appropriation	\$ 434.4	\$ 434.4
1.75% of Primary Road Fund Appropriation to Transfer of Jurisdiction Fund	- 7.6	0.0
1.75% of Primary Road Fund Appropriation to all Cities & Counties	0.0	-7.6
Secondary Road Fund		
Counties that assume jurisdiction of Primary Roads (FY 2004 to FY 2013)	5.1	0.0
Counties that assume jurisdiction of Farm-to-Market Road Extensions (FY 2005 and Beyond)	2.0	2.0
All Counties	225.8	230.9
Farm-to-Market Road Fund	73.2	73.2
Street Construction Fund		
Cities that assume jurisdiction of Primary Roads (FY 2004 to FY 2013)	0.6	0.0
Cities that transfer jurisdiction of Farm-to-Market Road Extensions* (FY 2005 and Beyond)	- 2.0	- 2.0
All Cities	183.1	183.7
Total Road Use Tax Fund Appropriations	<u>\$ 914.6</u>	<u>\$ 914.6</u>

* Includes road extensions in cities with a population of under 500.

STATE PROFILE

IOWA'S POPULATION GROWTH RATE COMPARED TO NATIONAL RATE

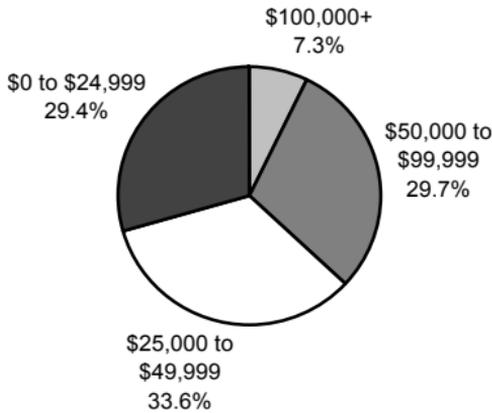


Note: The increase in population growth rate for the year 2000 is due to the decennial census, which provided a more accurate population base for the estimate.

- Iowa's current population estimate is 2,926,324.
- Historically, Iowa's rate of population growth has been below the national average. Iowa experienced a negative growth rate between the years 1979 and 1988, while the national average was fairly constant at 1.0%.
- Iowa's growth rate has not surpassed the national average for at least 20 years. Iowa's largest annual decline was in 1986, with a 1.33% decline in population.
- In 1980, African-Americans comprised 1.4% of Iowa's population, Hispanics/Latinos comprised 0.9%, and the Asian population was labeled "insignificant" or that the total percentage was either less than 0.1% or data was not available. By 2000, the African-American population increased to 2.1%, the Hispanic/Latino population increased to 2.8%, and Asians comprised 1.3% of Iowa's total population.

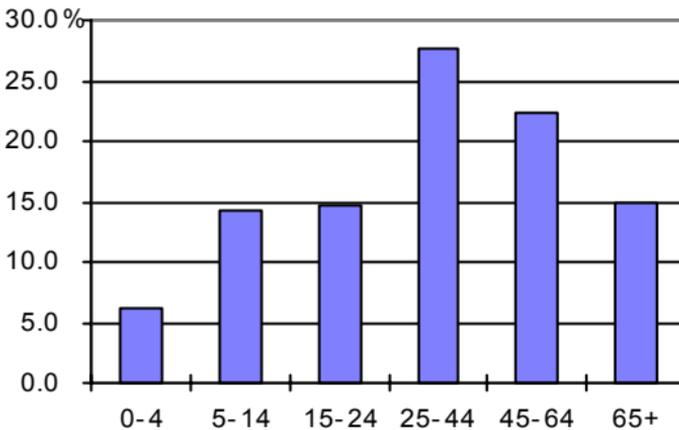
IOWA'S POPULATION (most recent information available)

HOUSEHOLD INCOME



- The average Iowa household has 2.5 members.
- In 2001, Iowa's median household income was \$40,976; compared to the national median household income of \$42,228.
- The median age of an Iowan is 36.6 years of age compared to the national average of 35.3 years.

AGE DISTRIBUTION OF IOWANS



- The percentage of Iowans age 65 or older is 14.9% compared to the national average of 12.4%.
- In 2001, the marriage rate was 7.2 per 1,000 population compared to the national average of 8.4.

IOWA'S POPULATION (Contd.)

- In 2001, the divorce rate was 3.3 per 1,000 population compared to the national average of 4.0.
- In 2001, the percentage of births to unmarried women was 28.8% compared to the national average of 33.0%.
- In 2001, the infant death rate per 1,000 live births was 5.6 compared to the national average of 6.9.
- It is estimated that 91.9% of lowans are covered by health insurance compared to the national average of 85.6%.
- In 2001, 88.4% of lowans age 25 and older had earned a high school diploma compared to the national average of 82.1%.
 - The percentage of lowans age 25 and older with a bachelors degree is 21.2% compared with the national average of 24.4%.
 - Iowa's high school dropout rate was 2.5% compared to the national average of 4.8%.
- Iowa's population includes 4.8% who receive food stamps, ranking 40th in the nation. The national average is 6.6%.
- Iowa's average Family Investment Program (FIP) monthly payment is \$120 compared to a national average of \$153.
- Iowa ranks 36th in the nation with 3,301 crimes per 100,000 population.
- Iowa had 272 state prisoners per 100,000 population, ranking 39th nationally.
 - The median age for inmates is 33 years old.
 - Men are 91.7% of the inmate population.
 - 70.6% of the inmate population is white, 21.6% is African-American, 4.8% is Hispanic, and 3.0% is other minorities.
- In 2002, Iowa had 1.7 million persons in the civilian labor force. Women comprised 47.0% of the work force.

IOWA'S POPULATION (Contd.)**2002 NON-FARM EMPLOYMENT**

Construction	4.4%
Education and Health	13.0%
Financial	6.5%
Government	16.9%
Information	2.4%
Leisure and Hospitality	8.6%
Manufacturing	15.7%
Natural Resources and Mining	0.1%
Other Services	3.9%
Professional and Business Serv.	7.3%
Trade, Transportation, and Utilities	21.2%